

Strong governance



The Company's governance framework has been reviewed in the year, as compliance with the new UK Corporate Governance Code was evaluated. Over time, it is the intention of the Board to comply with all aspects of the new Code.

Chairman's Introduction

On behalf of the Board, I am pleased to provide an overview of the Company's governance framework during 2019. New initiatives were implemented in the year to align with the principles of the 2018 UK Corporate Governance Code (the "new Code").

The Board appointed Annell Bay in early 2019 as the Company's non-executive Director with responsibility for employee engagement. Annell, along with the rest of the Board, has overseen the roll out of the all-employee engagement survey, the results of which are reported within this Annual Report. Annell has also held meetings with the senior leadership team to discuss engagement practices across the Group and has met with employees as part of the new engagement initiatives. Excellent feedback has been received by the Board and we are encouraged that the foundations of a solid process have been established.

On behalf of the Board, I want to thank our shareholders, customers, employees, suppliers and other important stakeholders for their support.

Introduction

The Company's governance framework has been reviewed in the year, as compliance with the new UK Corporate Governance Code was evaluated. Over time, it is the intention of the Board to comply with all aspects of the new Code. Stakeholder engagement has been a key theme developed in the year within the Group's governance framework, which is described in more detail below. It is the intention to further evolve and enhance our engagement practices over time.

UK Corporate Governance Code

The new Code requires the Board and the senior leadership team to report on the Company's Purpose and Culture, as well as how we engage with our key stakeholders. As noted above, the Company introduced an all-employee engagement survey that provided feedback to the Board and saw an 80% response rate. I am pleased to report that stakeholder engagement reporting has improved with our customers, employees and suppliers. The Company is compliant with all aspects of the new Code, with the exception of two remuneration-related provisions. A review of the Directors' Remuneration Policy will be undertaken in 2020, as we seek to fully comply with the new Code.

Board Evaluation

The Directors completed an internally facilitated Board and Committee effectiveness review in December 2019. The Directors considered the Company's performance and the new governance initiatives introduced in the year, in compliance with the new Code, and were satisfied that the Group's governance framework was sound and was operating effectively.

Appointment of new Auditor

In accordance with auditor rotation regulations, Deloitte LLP was appointed as the Company's auditor at Hunting's 2019 Annual General Meeting, replacing PricewaterhouseCoopers LLP ("PwC"). I would like to take this opportunity to thank PwC again for their support and professionalism during their term as auditor to the Group. The audit relationship with Deloitte has started well, mainly due to the advanced planning and preparation undertaken by the Group's finance function and the Deloitte team.

Appointment of Finance Director

On 23 January 2020, we announced the retirement of Peter Rose as Group Finance Director and proposed the appointment of Bruce Ferguson as Peter's successor, subject to election by shareholders at the Company's Annual General Meeting in April 2020. We would like to thank Peter for his many years of service to the Group and strong leadership of the finance function since 2008. We wish him well in his retirement. Further, disclosures on this process are located in the Nomination Committee Report on pages 104 and 105.

Remuneration

The performance of the Company, of the executive Directors and senior leadership team has been commendable, given the market challenges and geopolitical risks faced by the global energy industry. Management report a creditable set of financial results and annual bonuses being paid are commensurate with the Group's performance, together with the strong personal performance by the executive Directors. The 2017 awards under the Hunting Performance Share Plan also show a modest vesting, reflecting earnings growth and improving returns over the three-year performance period. On behalf of the Board, I would like to thank Jim Johnson and his team for delivering another good result for shareholders.

Succession Planning

The Board has also overseen a process to improve the Group's talent management procedures. In the year, an enhanced succession planning framework was introduced, which will enable the Board to monitor key employees who may be the future leaders of your Company.

In summary, the Group has made a number of positive improvements to governance in the year, as encouraged by the new Code and we look forward to building on these foundations in future years.



John (Jay) F. Glick
Chairman

27 February 2020

Board of Directors and Company Secretary



John (Jay) F. Glick
Non-executive Chairman

Nationality
American.

Length of Service

5 years; appointed to the Board as a non-executive Director in 2015. In 2017, Jay was appointed non-executive Chairman. Age 67.

Skills and Experience

Jay was formerly the president and chief executive officer of Lufkin Industries Inc and, prior to that, held several senior management roles within Cameron International Corporation.

External Appointments

Jay is currently a non-executive director of TETRA Technologies Inc and Weatherford International plc.

Committee Membership

Nomination Committee (Chair) and by invitation.



Arthur James (Jim) Johnson
Chief Executive

Nationality
American.

Length of Service

28 years; appointed to the Board as a Director and Chief Executive in 2017. Age 59.

Skills and Experience

Jim held senior management positions within Hunting from 1992 up to his appointment as Chief Operating Officer of the Group in 2011. In this role, he was responsible for all day-to-day operational activities of the Company. Jim is a member of, and chairs, the Executive Committee.

External Appointments

None.

Committee Membership

By invitation.



Peter Rose
Finance Director

Nationality
British.

Length of Service

23 years; appointed to the Board as Finance Director in 2008. Age 61. Peter will retire from the Board on 15 April 2020.

Skills and Experience

Peter is a member of the Institute of Chartered Accountants of Scotland. Before joining Hunting he held senior financial positions with Babcock International and, prior to that, spent several years with PwC working in the UK and Hong Kong. Peter is a member of the Executive Committee.

External Appointments

None.

Committee Membership

By invitation.



Annell Bay
Non-executive Director

Nationality
American.

Length of Service

5 years; appointed to the Board as a non-executive Director in 2015. In August 2018, Annell was appointed Chair of the Remuneration Committee and is also the Company's designated non-executive Director for employee engagement. Age 64.

Skills and Experience

Annell was formerly a vice-president of global exploration at Marathon Oil Corporation and, prior to that, vice-president of Americas Exploration at Shell Exploration and Production Company.

External Appointments

Annell is currently a non-executive director of Apache Corporation and Verisk Analytics Inc.

Committee Membership

Nomination Committee.
Remuneration Committee (Chair).
Audit Committee.



Carol Chesney
Non-executive Director

Nationality

Joint American and British citizenship.

Length of Service

2 years; appointed to the Board as a non-executive Director and Chair of the Audit Committee in April 2018. Age 57.

Skills and Experience

Carol is a Fellow of the Institute of Chartered Accountants in England and Wales. Carol was formerly the Group Financial Controller and, latterly, the Company Secretary of Halma PLC.

External Appointments

Carol is currently a non-executive director of Renishaw plc, IQE plc and Biffa plc.

Committee Membership

Nomination Committee.
Remuneration Committee.
Audit Committee (Chair).



Richard Hunting, CBE
Non-executive Director

Nationality

British.

Length of Service

47 years; elected an executive Director in 1989 and was Chairman from 1991 to 2017. In 2017, Richard retired as Chairman, and remains on the Board as a non-independent, non-executive Director. Age 73.

Skills and Experience

Richard has previously held a variety of management positions around the Hunting Group.

External Appointments

None.

Committee Membership

By invitation.



Keith Lough
Senior Independent Non-executive Director

Nationality

British.

Length of Service

2 years; appointed to the Board as a non-executive Director in April 2018 and appointed Senior Independent Director in August 2018. Age 61.

Skills and Experience

Keith was formerly the non-executive Chairman of Gulf Keystone Petroleum plc and previously held a number of executive positions within other energy-related companies, including British Energy plc and LASMO plc.

External Appointments

Keith is currently the non-executive Chairman of Rockhopper Exploration plc and Southern Water and a non-executive director of Cairn Energy plc.

Committee Membership

Nomination Committee.
Remuneration Committee.
Audit Committee.



Ben Willey
Company Secretary

Nationality

British.

Length of Service

10 years; joined Hunting in 2010 and was appointed Company Secretary in 2013. Age 46.

Skills and Experience

Ben is a Fellow of the Institute of Chartered Secretaries and Administrators. He was formerly a partner at Buchanan, a WPP company, and, prior to that, worked in investment banking with Evolution Securities plc.

External Appointments

None.

Committee Membership

Audit Committee (Secretary).
Nomination Committee (Secretary).
Remuneration Committee (Secretary).

Executive Committee

Rick Bradley

Chief Operating Officer

Nationality

American.

Length of Service

9 years; joined Hunting in 2011 and was appointed Chief Operating Officer in 2017. Age 60.

Jason Mai

Managing Director – Hunting Titan

Nationality

American.

Length of Service

5 years; joined Hunting in 2015 and was appointed Managing Director in 2017. Age 51.

Scott George

Managing Director – US Operations

Nationality

American.

Length of Service

10 years; joined Hunting in 2010 and was appointed Managing Director in 2011. Age 46.

Randy Walliser

Managing Director – Canada Operations

Nationality

Canadian.

Length of Service

1 year; joined Hunting and appointed Managing Director in 2019. Age 59.

Bruce Ferguson

Managing Director – EMEA Operations

Nationality

British.

Length of Service

26 years; joined Hunting in 1994 and was appointed Managing Director in 2011. Age 48.

Daniel Tan

Managing Director – Asia Pacific Operations

Nationality

Singaporean.

Length of Service

12 years; joined Hunting in 2008 and was appointed Managing Director in 2011. Age 57.

Corporate Governance Report continued

Introduction

The Board discusses strategic planning and long-term growth objectives. Supporting these discussions, the executive Directors prepare strategic plans annually, which are tabled for discussion at Board meetings. Strategic plans consider the future direction of the Group, taking into account Environmental, Social and Governance (“ESG”) matters. Once the Board has agreed the strategic plans, these are embedded within Group operations and relayed to key stakeholders more generally. Embedded within strategic planning is the Group’s appetite for risk. The Group’s Risk Management framework and procedures help the Board refine its decision making, as the opportunities and risks for long-term success and growth are evaluated against their risk appetite and the risk culture of the Group. Following this, the Group’s Business Strategy and Model are put into action.

The Board has three subcommittees to which it delegates governance and compliance procedures: the Remuneration Committee, whose report can be found on pages 84 to 103; the Nomination Committee, whose report can be found on pages 104 and 105; and the Audit Committee, whose report can be found on pages 106 to 109.

The Board Committees support the Directors in their decision making. The Audit Committee’s responsibilities include reviewing the Group’s financial results and challenging the work and performance of the external and internal auditors. The Remuneration Committee ensures the executive Directors remain motivated and incentivised, as the senior leadership team execute the approved strategy on a day-to-day basis. The Remuneration Committee ensures that executive pay remains aligned with Company performance and the broader shareholder experience. The work of the Nomination Committee supports the Board’s responsibility for ensuring that a framework of recruitment and retention of talent is in place to run the Company and that succession is well planned and executed in a timely manner.

The Board and its Committees are further supported by an Executive Committee, comprising the executive Directors and managing directors of each operating segment of the Group. Operational management is agreed by the Executive Committee, who oversees implementation of the Group’s growth objectives and ensures the risks and opportunities presented are actively managed.

Responsibilities of the Board

The Board of Hunting PLC has clearly defined areas of responsibility, which are separate to those of the Chairman, executive Directors and the Committees of the Board. The non-executive Directors approve the strategic goals and objectives of the Company, as proposed by the executive Directors. The Board approve all major acquisitions, divestments, dividends, capital investments, annual budgets and strategic plans.

The Board has overall leadership of the Company, setting the values of the Hunting Group and providing a strong tone from the top, to which all businesses within the Group and its employees are encouraged to adopt. Governance principles of the Company are set by the Board and key Group-level policies are reviewed and approved by the Directors.

The Directors monitor Hunting’s trading performance, including progress against the Annual Budget, reviewing monthly management accounts and forecasts, comparing forecasts to market expectations and reviewing other financial matters. They review and approve all public announcements, including financial results, trading statements and set the dividend policy of the Group.

The internal control and risk management framework and associated procedures are reviewed by the Board; however, key monitoring procedures are delegated to the Audit Committee. Remuneration of the executive Directors is set by the Remuneration Committee, who also review and monitor the remuneration of the Executive Committee, as well as monitoring remuneration of the wider workforce.

The Board approves all key recommendations from the Remuneration, Nomination and Audit Committees and approves all appointments to these Committees.

Board Activities

At each meeting, the Chief Executive updates the Board on key operational developments, provides an overview of the market, reports on health and safety, and highlights important milestones reached towards the delivery of Hunting’s strategic objectives.

The Finance Director provides an update on the Group’s financial performance, position, outlook, banking arrangements, legal issues, analyst discussions and statutory reporting developments relevant to Hunting. These topics lead to discussion, debate and challenge among the Directors.

The Group’s governance framework includes the Board and the Executive Committee. Medium-term planning initiatives are formalised within the Executive Committee, which are reviewed regularly by the Board and supported by periodic presentations by members of the Executive Committee.

During 2019, topics for discussion at the Board meetings included the following business:

	Feb	Apr	Jun	Aug	Oct	Dec
Standing items						
Chief Executive Report	•	•	•	•	•	•
Finance Director Report	•	•	•	•	•	•
Operational Reports	•		•	•		•
Quality Assurance, Health, Safety and Environmental Reports	•		•	•		•
Shareholder Report	•	•	•	•	•	•
Other items						
Annual/Interim Report and Accounts	•			•		
Board Evaluation	•					•
Risk Review	•					
AGM Preparation		•				
Trading Statement			•		•	
Strategy			•			•
Organisation and Personnel Review, Development and Succession			•			•
Annual Budget						•
Chairman/Senior Independent Director						
Investor Feedback	•					

During 2019, the Directors received the following presentations from senior management and external advisers:

- Asia Pacific – segment overview and detailed management briefing (April);
- Investor Relations – global strategy briefing (June);
- Corporate Broker Strategy – adviser briefing (June);
- Human Resources and Succession – new initiatives briefing (December);
- IT Strategy – update briefing (December); and
- Cyber Security – external briefing (December).

The Board met six times in 2019, with a 100% attendance record as noted in the table below:

Number of meetings held	6
Number of meetings attended (actual/possible):	
Annell Bay	6/6
Carol Chesney	6/6
Jay Glick	6/6
Richard Hunting	6/6
Jim Johnson	6/6
Keith Lough	6/6
Peter Rose	6/6

Board Leadership and Company Purpose (Section 1 of the Code)

Culture and Purpose

The Group has been operating since 1874 and, as such, has a long history, with a strong culture, including support for employees across all of its global operations. The underlying Culture of the Group extends to maintaining high business standards, creating value for investors, by building strong and lasting relationships with its core stakeholders. More information on engagement with, and support to, the Group's key stakeholders can be found on pages 20 to 27.

Our Purpose is to be a deeply trusted innovator and manufacturer of technology and products that creates sustainable value for our stakeholders.

The Board, during the year, gave consideration to the Group's Purpose. Hunting's core businesses are focused on the manufacture of products which deliver oil and gas. The Directors have approved Hunting's continued focus on energy-related markets, given that energy demand is projected to increase steadily between now and 2040.

The Group's disclosures on Purpose and Culture can be found on pages 8 and 9 within the Strategic Report. As noted in the disclosures, the Culture of the Group is based on:

- a flat organisational structure;
- strong HSE and quality assurance policies;
- a highly skilled workforce;
- providing fair remuneration; and
- engagement and dialogue with all key stakeholders.

In the year, the Directors reviewed the organisational structure of the Group, noting its simplicity, with short chains of command to allow for rapid business decision making. It was noted that this also allowed all levels of the workforce to communicate with the senior management team directly. As part of its regular Board meeting schedule, the Directors review HSE and Quality Assurance reports from the Group's global operations. The Board also noted reports submitted to the Remuneration Committee in respect of base salary increases implemented across the major business units of the Group, the senior management team and the executive Directors, to ensure the workforce remained fairly remunerated.

In line with the recommendations of the new Code, the Board has established procedures to monitor Culture and to ensure the views of the Group's workforce are understood by the Directors. In July 2019, the Group launched a global, all-employee engagement survey. The results of the survey were reviewed by the Directors, with appropriate actions being undertaken, following a number of areas of feedback that were received. Supporting this initiative has been a process of formalising other employee engagement initiatives including management briefings and introducing roundtable employee discussion forums.

Shareholder Views

The Chairman and Senior Independent Director met with shareholders in January 2019 and January 2020 to discuss governance, strategy and other matters. As a result of these meetings, Hunting has enhanced its public disclosures on ESG matters. These disclosures can be reviewed on the Group's website www.huntingplc.com. Regular shareholder reports were submitted to the Board throughout the year, which included an Investor Relations and Corporate Broker briefing at its June Board meeting. During the year, the Chief Executive and Finance Director also met shareholders to discuss performance and strategy. Investor meeting feedback reports are also prepared by the Group's advisers and are circulated to the Directors.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company is the primary mechanism for all shareholders to meet the Directors and to ask questions about the strategy and performance of the Group. The formal business of the AGM includes receiving the Annual Report and Accounts, approving Remuneration Policies and Outcomes, re-electing Directors and providing the Directors with powers to transact company business on behalf of its members. The Chief Executive also provides a presentation of the Group's performance and answers questions from shareholders.

At the Company's Annual General Meeting in April 2019, all resolutions were passed with strong majorities, with no resolutions receiving greater than 20% of votes against. Details of the resolutions put to shareholders at the meeting can be found within the Notice of Meeting located within the "General Meetings" section of the Company's website www.huntingplc.com.

Corporate Governance Report continued

Stakeholder Engagement

Details of engagement activities with all our key stakeholders and the Board can be found, within the Strategic Report, on pages 21 to 27.

Speak Up/Whistleblowing Service

An independent and anonymous whistleblowing reporting service has been in place for a number of years, allowing any employee access to the Board to raise matters of concern. During the year, there were nine reports received through the SafeCall service (2018 – five reports), all of which are seen by Keith Lough, the Group's Senior Independent Director, who also receives and approves all investigation reports and corrective actions. Mr Lough verbally reports these activities to the Board during the year.

Conflicts of Interest

Each Director is required to declare any potential conflict of interest that exists, or which may arise. These are formally recorded by the Company Secretary.

Appropriate decision making, in light of this declaration, is undertaken, which could include a Director not participating in a Board decision or vote. Each Director is required to complete a declaration of known conflicts of interest annually.

Division of Responsibilities (Section 2 of the Code)

The Hunting Board comprises the non-executive Chairman, Chief Executive, Finance Director, three independent non-executive Directors, one of whom is the Senior Independent Director and one non-independent, non-executive Director.

The profiles and experience of each Director are found on pages 72 and 73. In line with the new Code's recommendation, the Notice of Annual General Meeting, to be published in March 2020, will incorporate details of the contribution in the year and the Board's reasons for proposing the re-election of each Director.

There is a clear division of responsibilities between the Chairman and Chief Executive, with the Chairman required to lead the Board, while the Chief Executive runs the Group's businesses as shown below:

Responsibilities of the Chairman

- lead and build an effective and balanced Board;
- chair meetings of the Board, ensuring the agenda and materials are fit for purpose;
- ensure the Directors are provided with accurate, timely and relevant information;
- encourage good dialogue between all Directors, with strong contributions encouraged from all Board members;
- meet the non-executive Directors without the executive Directors present;
- discuss training and development with the non-executive Directors;
- arrange Director induction programmes;
- arrange an annual Board evaluation and act on its findings; and
- ensure shareholders and other stakeholders are communicated with effectively.

Responsibilities of the Chief Executive

- manage the day-to-day activities of the Group;
- make strategic plan recommendations to the Board and implement the agreed Board strategy;
- identify and execute new business opportunities, acquisitions and disposals;
- ensure appropriate internal controls are in place;
- report to the Board regularly on the Group's performance and position; and
- present to the Board an annual budget and operating plan.

To ensure an effective relationship between the Chairman and the Chief Executive and other members of the Board, the responsibilities of the Senior Independent Director, as shown below, have been revised and approved by the Board during 2019:

Responsibilities of the Senior Independent Director

- provide a sounding board for the Chairman and serve as an intermediary to other Directors when required;
- be available to shareholders, should the normal channels through the Chairman and Chief Executive not be appropriate;
- chair meetings of the Board, in the absence of the Chairman;
- lead an annual performance evaluation of the Chairman, supported by the other non-executive Directors; and
- attend meetings with shareholders, to develop a balanced understanding of any issues or concerns.

Responsibilities of the non-executive Directors

- provide independent challenge to executive management on the proposed strategy;
- monitor the execution of the approved Strategy and of the financial performance of the Company on an ongoing basis;
- ensure executive management remain motivated and incentivised through a responsible remuneration policy; and
- ensure the integrity of financial information and internal control and risk management are effective and defensible.

Responsibilities of the Company Secretary

The Company Secretary is appointed by the Board and supports the Chairman in providing all materials and information flows between the executive and non-executive Directors, specifically on matters of governance and regulatory compliance. The Company Secretary is also available to the Board and all its Committees for advice and ensures that all procedures are followed.

Directors' and Officers' Liability Insurance

Hunting maintains insurance against certain liabilities, which could arise from a negligent act or a breach of duty by the Directors and Officers in the discharge of their duties. This is a qualifying third-party indemnity provision that was in force throughout the year.

Board Independence

As at 31 December 2019, excluding the Chairman, the Board comprised 50% independent non-executive Directors. Including the Chairman, 57% of the Board comprises independent Directors.

The Board, including the Chairman, have access to professional advisers, at the Company's expense, to fulfil their various Board and Committee duties.

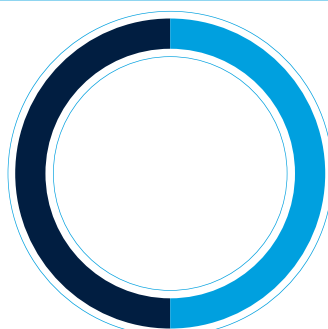
Board Independence (including Chairman)

- Independent 57%
- Non-Independent 43%



Board Independence (excluding Chairman)

- Independent 50%
- Non-Independent 50%



External Appointments

The Group has procedures in place that permits the executive Directors to join other company boards. In the year, neither the Chief Executive nor the Finance Director held any external board appointments.

Executive Committee

The Group has an Executive Committee (“ExCo”) comprising the regional managing directors of the Group and the executive Directors. During 2019, the ExCo met four times, to discuss the performance of each operating segment, strategic initiatives, including the progress of capital investment programmes, quality assurance and HSE performance, in addition to Human Resources and Risk Management reports. The Company Secretary and Head of Investor Relations are also invited to meetings of the ExCo.

In the year, the ExCo was briefed on the 2018 UK Corporate Governance Code requirements in addition to the new stakeholder reporting initiatives to be implemented. Each managing director submitted reports to the Board in the year, to enable an in-depth understanding of the Group’s engagement initiatives to be made.

Composition, Succession and Evaluation (Section 3 of the Code)

Board Appointments

All appointments to the Board are in accordance with the Company’s Articles of Association and the Code and are made on recommendation by the Nomination Committee. Recruitment of new Directors follows Group policy, including the formulation of a detailed description of the role that gives consideration to the required skills, experience and diversity requirements for the process. The Directors usually review a list of candidates, prior to a shortlist being recommended by the Nomination Committee, ahead of face-to-face interviews with each Director.

Board Skills and Experience

The expertise and competencies of the non-executive Directors are noted in the table below, and underpin the balance of skills and knowledge of the Board:

Director	Expertise
Annell Bay	Upstream oil and gas, US energy market development and US quoted companies.
Carol Chesney	Accounting, UK Corporate Governance, Ethics Compliance and UK quoted companies.
Jay Glick	Oilfield services and manufacturing, US energy market development and US quoted companies.
Richard Hunting	UK Corporate Governance, Investor Relations.
Keith Lough	Accounting, upstream oil and gas, UK energy regulation and market development and UK quoted companies.

The activities of the Nomination Committee are reported on pages 104 and 105. No new Board appointments were made in 2019, given the process of refreshing completed in 2018. The tenure of the Board of Directors, as at 27 February 2020, is noted in the chart below.

Board Tenure

- < 3 years 43%
- 3 to 9 years 28%
- > 9 years 29%



None of the independent non-executive Directors have been in the role for greater than nine years. Jay Glick was appointed to the Board in 2015 and appointed Chairman in 2017.

Corporate Governance Report continued

For the appointment of executive Directors, the Company enters into a Service Contract with the Director, which reflects the terms of employment, remuneration and termination, taking into account country of residence and local employment laws applicable at the time of appointment. For more information on the Service Contracts of the current executive Directors, please see the 2017 Remuneration Committee Report located at www.huntingplc.com.

On appointment, each non-executive Director is provided with a letter of appointment, outlining the time commitments, responsibilities and fiduciary duties required under Company Law and, following Company policy, appointed for a three-year term. All appointment letters are available for inspection at the Company's AGM or at Hunting's registered office. Due to the small size of the Hunting Board, non-executive Directors are paid fees that are above the UK market median, reflecting a high level of time commitment required for Company matters.

Senior management appointments are reported to the Board by the executive Directors.

Further, when the succession of the Company Chairman is being considered, the Senior Independent Director chairs the Nomination Committee.

Annual Re-Election

At the 2019 AGM, all Directors were re-elected by shareholders. All Directors will retire and submit themselves for annual re-election at the 2020 AGM, with the exception of Peter Rose who is retiring from the Board.

Board Succession

Succession planning has become an area of increased focus, following the formation of the Executive Committee in 2018 and in line with best practice.

In November 2018, the Group appointed a global Chief HR Officer who has reviewed the Group's succession planning arrangements. As part of this review process, procedures to formalise the development and continuity of executive talent were enhanced and presented to the Board at its December 2019 meeting.

Board Evaluation

The Directors undertake an internal effectiveness evaluation of the Board and its Committees annually, which includes completion of a detailed questionnaire on the operation and governance responsibilities in relation to the Company's governance framework. Both the executive and non-executive Directors are appraised collectively and individually, with the results of the process reported to the Board through the Chairman.

The 2019 Board evaluation process was enhanced, following the publication of the 2018 UK Corporate Governance Code and Guidance on Board Effectiveness. Following completion of the process and further Board discussion, the Chairman and the Board concluded that all Directors, all Committees and the Board itself remained effective.

In addition to the internal evaluation, the non-executive Directors, led by the Senior Independent Director Keith Lough, completed a Chairman's performance evaluation in December 2019 and concluded that Mr Glick had been an effective and capable Chairman of the Company.

The Board organises an externally facilitated Board effectiveness evaluation every three years, the last being completed in 2018 by Clare Chalmers Limited. Areas of improvement were identified, with the process scheduled to be repeated externally in 2021.

Board Induction and Training

Following new Board appointments, internal briefings are usually organised to introduce key finance and operational personnel and to present the structure and operation of each major business within the Group. Facility visits to the Group's operations are also organised and key members of the Group's leadership team give presentations on each operating segment.

In the year, the Chairman met with the non-executive Directors to discuss and agree, among other matters, training and development.

Diversity

The Group's diversity policy can be found at www.huntingplc.com. Hunting's policies promote prejudice-free decision making, ensuring all stakeholder interests are taken into consideration and commits Hunting to building a working environment in which all individuals are able to make best use of their skills, free from unfair discrimination, victimisation, harassment and/or bullying, and in which all appointments are based on merit.

Furthermore, the policy focuses on recruitment, training and development, conditions of work and disciplinary procedures.

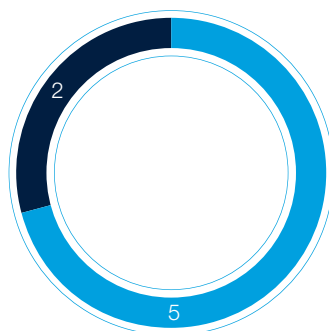
Gender

Gender diversity data of Hunting's Board, senior management and workforce is noted on the opposite page.

Gender and ethnicity suggestions made in the Hampton-Alexander and Parker reviews have been noted by the Board and will be taken into consideration as the Board is refreshed over the coming years.

Board

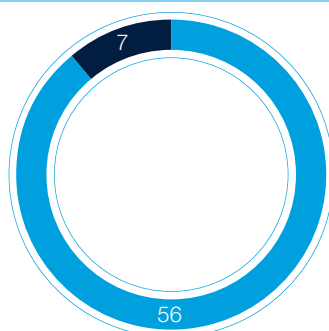
- Male 71% (2018 – 71%)
- Female 29% (2018 – 29%)



Senior Management

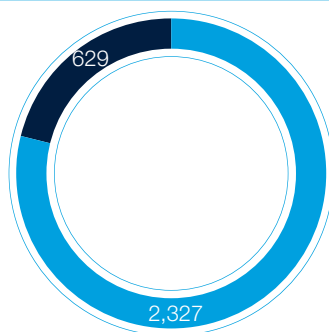
(defined as members of the Executive Committee and their Direct Reports)

- Male 89% (2018 – 91%)
- Female 11% (2018 – 9%)



Workforce

- Male 79% (2018 – 79%)
- Female 21% (2018 – 21%)

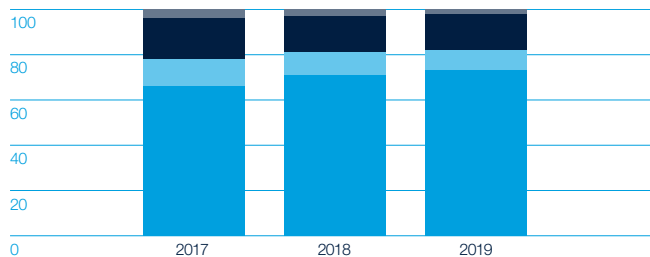


Ethnicity

Hunting is committed to an ethnically diverse workforce and extends its global operating footprint to 11 countries. The Group remains North American focused, with over 72% of employees from that region at 31 December 2019.

Group ethnicity

%
● North America ● Europe ● Asia ● Rest of World



Audit, Risk and Internal Control (Section 4 of the Code)

The Group's policies, procedures and approach to audit, risk and internal control is described within the Risk Management (pages 39 to 42) and Audit Committee Report (pages 106 to 109) sections of the Annual Report and Accounts. The Risk Management section includes information on the Group's principal risks and emerging risks, as required by the Code.

Fair, Balanced and Understandable Assessment

The Board has delegated the responsibility of reviewing the Fair, Balanced and Understandable Assessment to the Audit Committee, which reviewed assessments of the half- and full-year results and made recommendations to the Directors in February and August.

Going Concern Basis and Viability Statement

The Audit Committee and Board review the Going Concern Basis twice a year and the Group's Viability Statement annually, in parallel with supporting reports from the executive Directors and the Group's central finance function. On 25 February 2020, the Board approved the Going Concern Basis and Viability Statement for the 2019 year-end, which is detailed on pages 68 and 69.

Risk Management Procedures

The Board acknowledges its responsibility for monitoring the Group's principal and emerging risks and the system of internal control and for reviewing its effectiveness as required by the Code, with key authorities being delegated to the Audit Committee.

At the Board's February 2020 meeting, the Directors completed a robust assessment and review of the Group's risk management framework and the principal risks facing the Company.

Corporate Governance Report continued

Remuneration (Section 5 of the Code)

The Group's remuneration principles align with the Code and are clearly linked to the long-term success of the Company.

Clarity and Simplicity

The Directors Remuneration Policy is based on fixed and variable emoluments. Fixed emoluments are benchmarked against other global energy services companies and the UK listed environment, to ensure the Company can attract and retain talent. Variable emoluments are based on two structures, an annual bonus and long-term incentive plan. Both variable structures are based on the Group's disclosed key performance indicators, including both financial and non-financial measures, and only pay out when performance has been achieved. The Chief Executive's remuneration is benchmarked against global peers, who are mostly headquartered in the US, while the Finance Director is benchmarked against UK listed companies of similar size.

Non-executive Director fees are set at levels that take into account the time commitment and responsibilities of each role. The non-executive Directors do not receive cash bonuses or other variable emoluments. The fees are benchmarked against other companies of a similar size, profile and profitability and are reviewed annually by the executive Directors. The Chairman's fee is set by the Remuneration Committee.

The pay structures of the senior management team and wider workforce are generally based on the Company's shareholder approved Remuneration Policy, and can include pension and healthcare benefits as well as annual bonus and long-term incentives.

Shareholder engagement is a key theme of Directors' Remuneration Policy, with proactive engagement occurring whenever major changes to Policy or Committee decision making are contemplated. The Committee is satisfied that, over time, shareholder feedback has been incorporated into the Directors' Remuneration Policy.

Risk, Predictability and Proportionality

The Committee believes that the Directors' Remuneration Policy aligns with the risk profile of the Company, encouraging growth in the long term and discouraging excessive risk taking. The Policy is weighted towards variable pay on the delivery of long-term growth.

As noted on page 83 of the Corporate Governance Report, the remuneration paid over time has aligned well with the Group's performance, with annual bonus and long-term incentives only vesting on the delivery of performance.

Alignment

The Board and the Remuneration Committee have reviewed the Company's Purpose, Values and Culture and believes that the remuneration framework operated by the Company encourages strong performance, based on a culture of honesty and integrity and putting stakeholder needs at the forefront of our strategic priorities.

The current Directors' Remuneration Policy was approved by shareholders on 18 April 2018, with a revised policy due to be tabled at the Company's Annual General Meeting in April 2021.

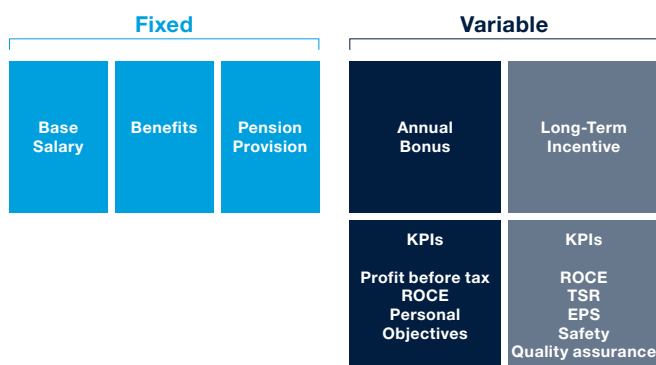
More information on compliance with the provisions of the Code and the emoluments paid to the Directors can be found in the Remuneration Committee Report on pages 84 to 103.

In respect of the current Directors' Remuneration Policy and the new Code, the Committee notes the following:

- The Company's long-term incentive arrangements extend to a five-year timeframe, with a three-year vesting period and two-year post-vesting holding period;
- Implementation of a post-employment shareholding policy has been deferred until the next Policy vote in 2021, as noted in the introduction of this report;
- Malus and clawback provisions are in place for all variable remuneration, with the triggers amended in the year in line with the recommendations of the Code;
- The Committee has flexibility within the Directors' Remuneration Policy to exercise appropriate discretion; and
- Pension provisions for new executive Directors will align with the workforce in the future; however, at present the pension provisions for the current executive Directors do not comply with the Code.

The chart below summarises the components of executive remuneration and the key performance indicators that are inputs to the remuneration outcomes.

Summary of Remuneration Structure and KPI



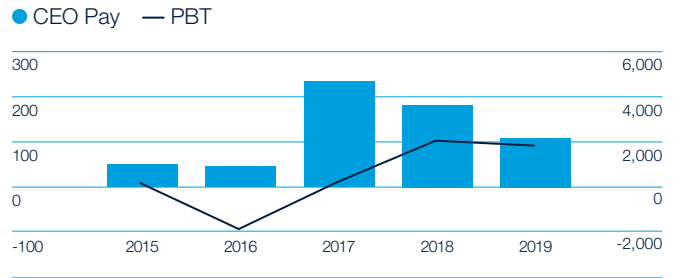
The Board believes that the remuneration framework aligns with the Purpose, Values and Culture of the Group, which is based on fair remuneration and reflects performance in the long term. This framework is also in place for the senior management of the Group, with participation in annual bonuses and inclusion in the long-term incentive scheme operated by the Company also featuring in emolument structures in many levels of the workforce. The long-term incentive scheme operated by the Group operates on a five-year timeframe, with a three-year performance period, followed by a two-year holding period for vested shares. The Remuneration Committee sets executive Director remuneration and reviews policies for the senior management and the wider workforce.



John (Jay) F. Glick
Chairman

27 February 2020

Profit before Tax (\$m) vs Chief Executive Remuneration (\$k)



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Remuneration Committee Report

For the year ended 31 December 2019

The Company's financial outturn for 2019 reflects a creditable performance, despite heightened levels of market volatility and increased geopolitical risk during the year, which impacted commodity prices, industry capital expenditures and the general outlook for growth. The profits delivered by management, coupled with a strong cash position at year-end, has underpinned the remuneration paid, and reflects a strong personal performance by the executive Directors, despite the challenging market environment.

The Annual Bonus awards reflect the Group's financial results achieved, together with delivery of personal objectives. The personal targets were set by the Committee in early 2019 and were measured and the outcomes agreed as part of the year-end deliberations of the Committee.

The award under the Hunting Performance Share Plan ("HPSP") also records a modest level of vesting, based on the delivery of targets set in 2017. The EPS and ROCE performance conditions record an above threshold vesting, while the TSR performance condition reflects an upper quartile performance and therefore a full vesting of this portion of the HPSP award.

The Committee has reviewed the new UK Corporate Governance Code and has put in place measures to enable the Company to become fully compliant over time.

2019 has been a positive year for Hunting. The Committee believes that the outcomes reported are a fair reflection of both Company and individual performance.

Annell Bay

Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present the Remuneration Committee Report to shareholders for the year ended 31 December 2019. This report provides a summary of the work completed by the Remuneration Committee (the "Committee") in the year, including the major decisions taken and details of how the approved Directors' Remuneration Policy was implemented during the year.

Major Decisions Made by the Committee

Base salary and fee review: In April 2019 the Committee reviewed globally benchmarked emolument data, prepared by Mercer/Kepler ("Kepler") in respect to the executive Directors. Following discussion, the base salary of the Chief Executive was increased by 5.0% (equating to an annualised increase of c.3.8%). In coming to this conclusion, the Committee noted that no changes to Mr Johnson's salary had been made since his appointment in 2017, a period over which he has demonstrated strong leadership, and that his salary was below many other executives within the Group's international peer group. Further, the Committee reviewed base salary increases for the Executive Committee and following discussion with the Chief Executive and Chairman, the base salary of the Finance Director was increased by 4.0%. The Committee noted this was within the range which had been awarded to members of the Executive Committee in 2019 and reflected a strong performance by Mr Rose as the Group reported a solid balance sheet, supported by strong capital discipline. The base salary increases were implemented with effect from 1 April 2019. As noted in last year's report, in December 2018, the Board reviewed the fees paid to the non-executive Directors with no changes implemented. The Committee reviewed the Chairman's fee and following discussion, agreed a 5% increase to the annual fee to £183,750, effective from 1 January 2019.

Annual bonus: The Group reported a creditable performance in 2019, despite challenging market conditions. For the year ended 31 December 2019, underlying profit before tax ("PBT") was \$93.1m and underlying return on capital employed ("ROCE") was 7.9%. The annual targets agreed by the Board contained within the Group's Annual Budget were PBT of \$104.7m and ROCE of 9.3% and therefore an "Above Threshold" vesting has been recorded. In February 2020, the Committee met to discuss the delivery of the personal performance targets set for the executive Directors and as noted on page 96 of this report, the Committee agreed that each executive Director had delivered on their respective personal objectives and so agreed to pay this portion in full.

In determining the final outcome for the Annual Bonus paid to the executive Directors, the Committee has applied discretion by ring-fencing the impact of the acquisition of RTI Energy Systems Inc., totalling \$1.6m, leading to an adjusted profit before tax of \$94.7m and ROCE of 8.0%. The Committee agreed that the acquisition was a key strategic milestone delivered by management but was not incorporated within the approved 2019 Annual Budget, with the short-term trading losses and acquisition costs adversely impacting the overall underlying profit result delivered by management in the year.

Mr Johnson was therefore awarded an annual bonus of \$567k and Mr Rose was awarded \$250k. In line with the 2018 Directors' Remuneration Policy, 25% of the post-tax value of the bonus will be delivered in Ordinary shares in the Company to be held for two years from 27 February 2020.

Vesting of HPSP Awards: On 24 February 2020, the Committee reviewed the final vesting report for the 2017 share awards granted under the Hunting Performance Share Plan ("HPSP"). The EPS and ROCE performance measures were both based on absolute targets to be delivered in the year ended 31 December 2019, and given the performance in the year, delivered an "Above Threshold" vesting.

The TSR performance condition was independently measured by Kepler resulting in an upper quartile ranking against Hunting's peer group comprising of 14 companies leading to a full vesting of this portion of the 2017 grant.

Peter Rose, as an executive Director on the date of grant, is entitled to receive 63,890 Ordinary shares on 3 March 2020, being the vesting date of the 2017 award, which reflects a 55.1% vesting of the performance conditions noted above.

Jim Johnson, serving as Chief Operating Officer a non-Board level position on the date of grant, was subject to a fourth performance condition, based on the Group's internal manufacturing reject rate performance over the three-year period which recorded a full vesting. Based on this outcome, Mr Johnson's 2017 award will record a 66.4% vesting, and he will be entitled to receive 148,314 Ordinary shares on the vesting date. Dividends paid by the Company during the performance period, totalling 14.0 cents per share, will be added to the final award, in line with the rules of the HPSP.

2019 AGM Result

At the Company's AGM held on 17 April 2019, the Company received 95.6% votes in favour of the resolution to approve the 2018 Annual Report on Remuneration.

Context of Remuneration Awarded in 2019

The Group's financial performance in the year, as noted above, has led to an "Above Threshold" vesting of the annual bonus and an "Above Target" vesting of the HPSP award. The single figure remuneration paid to Jim Johnson was \$2.2m in 2019 (2018 – \$3.7m) and the remuneration paid to Peter Rose was \$1.2m (2018 – \$2.1m).

In 2018, the remuneration paid to the executive Directors reflected a Maximum annual bonus award and an Above Target vesting of the HPSP. The Committee is satisfied that total pay outcomes are appropriate in the context of Group performance across the periods covered by these short- and long-term incentives.

2018 UK Corporate Governance Code Compliance and Other Best Practice Changes

The Committee has reviewed the contents of the 2018 UK Corporate Governance Code and notes that it is fully compliant to most remuneration-related provisions and principles.

The Committee deliberated on the provision which requires a Post-Employment Shareholding Policy to be implemented for executive Directors and will develop a policy as part of the next Remuneration Policy vote in 2021. The Committee also noted the provision which requires executive Director pension contribution rates to align to the average of the workforce and has decided to address this recommendation for new executive appointments to the Board. The Committee will formalise its compliance to this provision at its next Policy review. Any new executive Director appointments made to the Board in the interim period will be provided with a pension provision which aligns to the majority of the workforce in the country of domicile. With regards to incumbent executive Directors, the Committee agreed with Peter Rose in August 2019 to freeze the annual Sterling contribution he receives with effect from 1 January 2020.

Finally, and noting recommendations from the Investment Association, the Committee reviewed the recovery provisions applying to the Group's short- and long-term incentives and resolved to expand the list of possible triggers by including one relating to "Actions which cause reputational damage to the Company".

The Committee remains satisfied with the internal processes around recovery provisions and confident that these provisions would be enforceable if required. For further information on the Company's compliance with the 2018 UK Corporate Governance Code please see pages 75 to 83.

Activities Undertaken by the Remuneration Committee During 2019

	Feb	Apr	Aug	Dec
Overall remuneration				
Annual base salary review		•		
Review senior management annual emoluments paid	•			
Review total remuneration against benchmarked data		•		
Items specific to annual bonus				
Approve annual bonus including delivery of personal performance targets	•			
Review Annual Bonus Plan Rules			•	
Agree personal performance targets for year ahead				•
Items specific to long-term incentives				
Approve HPSP vesting and new annual grant	•			
Review HPSP performance conditions	•			•
Review HPSP grant performance targets				•
Governance and other matters				
Approve Annual Report on Remuneration	•			
Review and approve Remuneration Policy (if required)	•			
Review governance voting reports		•		
Review AGM proxy votes received for Annual Statement of Remuneration and Policy		•		
Review Committee Effectiveness and Terms of Reference				•



Annell Bay
Chair of the Remuneration Committee

27 February 2020

Remuneration at a Glance

Remuneration Policy

A summary of the Directors' Remuneration Policy is found on pages 88 to 92.

The Policy was approved by shareholders on 18 April 2018, following a comprehensive review of Hunting PLC's remuneration framework.

At the Annual General Meeting of the Company on 17 April 2019, the resolution to approve the Annual Report on Remuneration was supported by a 95.6% vote in favour.

Link to Strategy and KPIs

The Group's Key Performance Indicators are noted on pages 64 and 65 and include financial measures including profit before tax, return on capital employed and net earnings growth. Non-financial measures are incorporated into HPSP awards and include the Group's Quality Assurance and Safety performance. Both these metrics underpin Hunting's standing and reputation in the global energy industry which, in turn, support the Group's long-term strategy.

The Company's chosen financial and non-financial KPIs are therefore central to measuring Hunting's long-term success and are fully integrated into the remuneration framework approved by shareholders. The Committee also believes that these KPIs help align executive remuneration to the broader shareholder experience.

Base Salaries

Jim Johnson was appointed Chief Executive on 1 September 2017 and from 1 April 2019, the Remuneration Committee agreed to increase his base salary by 5.0% to \$735,000. The Committee also reviewed changes to the base salaries of the Executive Committee and workforce and following discussion with the Chief Executive and Chairman increased the base salary of Peter Rose by 4.0% to £338,553. Both increases were implemented from 1 April 2019; therefore Mr Johnson's salary received in the year was \$726,250 and Mr Rose's was \$427,907 (or a year-on-year increase in salaries paid of 3.8% and 3.0% respectively).

Chief Executive	\$735,000 +5%
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Finance Director	£338,553 +4%
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Company Performance Summary

The performance of the Group in the year, as noted in the Letter from the Chair of the Remuneration Committee, reported a sustained performance compared to 2018, despite increased market volatility and global geopolitical tensions.

The 2019 outturn recorded an "Above Threshold" performance in respect to the Annual Budget agreed in December 2018 and an "Above Target" vesting of the HPSP. 2019 remuneration has been lower than the prior year due to a lower vesting of variable pay. In 2018 the Group exceeded both short- and long-term objectives, which resulted in higher levels of vesting of the annual bonus and the long-term incentive.

Annual Bonus Policy

The annual bonus combines profit before tax, return on capital employed and personal performance targets as the basis of the short-term awards to the executive Directors. As noted in the report from the Chair of the Remuneration Committee, adjusted results have been applied, reversing the \$1.6m impact of the acquisition of RTI Energy Systems Inc.

Adjusted Profit before tax	\$94.7m 90.4% of target
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Adjusted ROCE	8.0% 86.0% of target
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Annual Bonus

The underlying PBT and ROCE targets, as agreed by the Board in December 2018, were \$104.7m and 9.3% respectively. Achieved underlying PBT was \$93.1m and ROCE was 7.9%. Adjusted PBT and ROCE was \$94.7m and 8.0%, with a vesting of 90.4% and 86.0% of budget for PBT and ROCE respectively. The Committee set personal performance objectives for the Chief Executive and Finance Director and, as noted on pages 96 and 97 of the Annual Report on Remuneration, both executives achieved a full vesting. Based on these outcomes, a 39% vesting of the maximum bonus opportunity was recorded with \$567k and \$250k paid to the Chief Executive and Finance Director.

Chief Executive	\$567k -60%
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Finance Director	\$250k -62%
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Hunting Performance Share Plan ("HPSP")

The Group's 2017 HPSP grant incorporated EPS, ROCE and relative TSR performance targets, divided equally into a one-third portion for each performance metric. Absolute EPS and ROCE targets, to be delivered by 31 December 2019, were set along with a three-year TSR target.

Relative TSR
(3-year) **33%**

Diluted EPS
(Absolute target) **33%**

Diluted ROCE
(Absolute target) **33%**

2017 Hunting Performance Share Plan Outcome

The outcomes are presented below:

TSR
(3-year) **Upper quartile**
100% vesting

EPS
(Absolute target to be delivered by 31.12.19) **44.1**
cents per share
40.4% vesting

ROCE
(Absolute target to be delivered by 31.12.19) **8.0%**
25.0% vesting

Internal manufacturing reject rate
(3-year) **0.26%**
100% vesting

The vesting outcome reflects the Group's results under IAS 17 Leases, in line with the terms of the 2017 grant. On this basis, 55.1% of the share awards to Peter Rose will vest and he will receive 63,890 Ordinary shares.

Jim Johnson's 2017 award (which was granted before his appointment to the Board) incorporated a fourth performance condition, based on the internal manufacturing reject rate, which has vested in full. Mr Johnson's award will therefore vest at 66.4% and he will receive 148,314 Ordinary shares.

Dividends paid by the Company during the vesting period, totalling 14.0 cents per share, will be added to the award.

Chief Executive **148,314**
Shares will vest

Finance Director **63,890**
Shares will vest

Shareholder Returns


Total shareholder return is measured against a peer group of 14 companies, all focused on upstream oil and gas services. For the three years ended 31 December 2019, Hunting had an upper quartile ranking with a TSR of -22.6%, compared to the peer group median performance of -46.1%.

Pay Scenarios**Chief Executive**

● Fixed ● Annual Bonus ● HPSP


Maximum  \$5,700k


Target  \$3,267k


Fixed  \$834k

Finance Director

● Fixed ● Annual Bonus ● HPSP

Maximum  \$2,121k

Target  \$1,343k

Fixed  \$565k

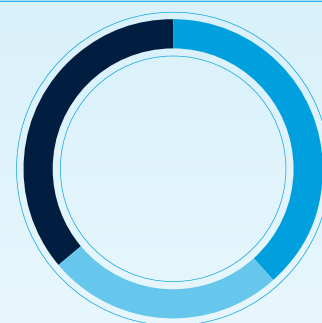
Assuming a 50% appreciation of the share price, the Target and Maximum pay to Mr Johnson would increase to \$4,094k and \$7,354k respectively and the Target and Maximum pay to Mr Rose would increase to \$1,570k and \$2,575k respectively. Actual pay is noted in the charts below.

Pay In the Year Summary

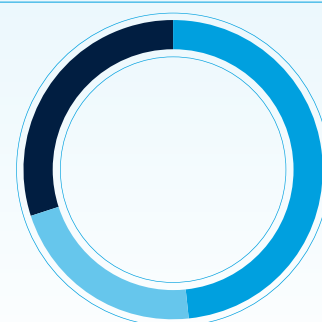
The actual remuneration paid to the executive Directors are as follows:

Chief Executive

● Fixed \$859k
● Annual Bonus \$567k
● HPSP \$803k
Total \$2,229k

**Finance Director**

● Fixed \$562k
● Annual Bonus \$250k
● HPSP \$346k
Total \$1,158k



Directors' Remuneration Policy Summary

Policy Overview

The Hunting PLC Directors' Remuneration Policy (the "Policy"), was approved by shareholders on 18 April 2018. The full Policy can be found at www.huntingplc.com/investors/corporate-governance.

The Policy is designed to comply with the principles of the 2016 UK Corporate Governance Code and the Companies Act 2006 regarding remuneration and to ensure that the Company can attract, retain and motivate talented executive Directors to promote and deliver long-term success for the Group. The package comprises fixed and variable incentives and is structured to link total reward to both corporate and individual performance.

The Remuneration Committee is planning to submit its next Directors' Remuneration Policy to shareholders in April 2021, where the Committee expects to be able to report full compliance with all provisions of the 2018 UK Corporate Governance Code related to remuneration.

The Policy tables which follow below provide an overview of each element of the Directors' Remuneration Policy.

Remuneration Committee Discretion

The Committee has defined areas of discretion within the Directors' Policy framework. Where discretion is applied, the Committee will disclose the rationale for the application of discretion. The Committee will operate the Annual Bonus Plan and HPSP in accordance with the relevant plan rules and this Policy. The Committee retains discretion as to the operation and administration of these plans as follows:

Annual Bonus

- Discretion to adjust the amount of any bonus to reflect any fact or circumstance that the Committee considers to be relevant, and to ensure that the outcome is a fair reflection of performance.
- The assessment of part-year performance in the event of the exit of a Director, including but not limited to, reviewing forecast financial performance of the Group and the outlook of the business in the context of wider market conditions. Bonus awards for good leavers will generally be pro-rated for the proportion of the performance period completed.
- The Committee may apply discretion to vary the percentage of an award settled in cash or shares.
- The annual bonus plan contains malus and clawback provisions for reasons including material misstatement and gross misconduct. In 2019, the Committee reviewed these triggers and added "actions which cause reputational damage to the Company".

HPSP

- Selection of the TSR comparator group for the HPSP. The Committee reviews the comparator group annually ahead of each grant made to the executive Directors under the HPSP. The Committee also retains the discretion to make adjustments to the comparator group for subsisting awards if it believes that a constituent of the comparator group has distorted the vesting outcome if, for example, a constituent company has been subject to a material corporate action.
- The Committee may amend the performance conditions applying to an award in exceptional circumstances if the new performance conditions are considered fair and reasonable, and are neither materially more nor materially less challenging than the original performance conditions when set. The oil and gas industry is a highly cyclical industry, where sentiment is driven by oil and gas commodity prices and activity levels across the industry. Given that these market conditions are outside management's control, the Committee retains the discretion to partially adjust the performance targets of the performance conditions adopted for the HPSP, to align with the general market outlook, while continuing to be a demanding and stretching incentive. Any upward discretion would be subject to prior shareholder consultation.
- The HPSP contains malus and clawback provisions for reasons including material misstatement and gross misconduct. In 2019, the Committee reviewed these triggers and added "actions which cause reputational damage to the Company".

Other

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy outlined above where the terms of the payment were agreed either:

- before the Policy came into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

Relevance to Employee Pay

The Policy tables summarise the remuneration structure that operates within Hunting and which also applies to senior executives of the Group. While bonus and pension arrangements are in place for most of the Group's employees, lower aggregate remuneration operates at below the executive Director and senior manager level, with total remuneration driven by market comparatives and the individual responsibilities of each role.

Consideration of Employment Conditions Elsewhere in the Group

The Committee considers the general basic salary increases for the broader employee population when determining the annual salary increases for the executive Directors. Employees have not been consulted in respect of the design of the Company's senior executive remuneration policy.

Other Information

Details of the terms of employment of the Directors, including Service Contracts, Letters of Appointment, New Director Recruitment and Leaver Policies are located in the 2017 Annual Report and Accounts and on the Company's website at www.huntingplc.com. Jim Johnson and Peter Rose have a one-year notice period contained within their respective Service Contracts. Further, while Mr Johnson and Mr Rose do not hold any external directorships, the shareholder-approved Directors' Remuneration Policy makes provision for them to retain any fees for such directorships.

Executive Director Remuneration Policy Table

Fixed Emoluments

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Base Salary				
<ul style="list-style-type: none"> To attract, retain and reward executives with the necessary skills to effectively deliver the Company strategy. 	<ul style="list-style-type: none"> Base salaries are set at competitive rates, which take into account the individual's country of residence and primary operating location as well as pay for comparable roles in comparable companies. Aimed at the market mid-point. Annual increases take into account Company performance, inflation in the UK, US and increases across the wider workforce. Relocation and tax equalisation agreements are also in place for employees working across multiple geographic jurisdictions. 	<ul style="list-style-type: none"> There is no prescribed maximum annual increase. Increases will normally be guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, development in role, change in responsibility and/or specific retention issues. 	<ul style="list-style-type: none"> Individual and Group performance are taken into account when determining appropriate salaries. 	<ul style="list-style-type: none"> None.
Pension				
<ul style="list-style-type: none"> To provide normal pension schemes appropriate to the country of residence. 	<ul style="list-style-type: none"> The Group contributes on behalf of the Chief Executive (currently resident in the US), to a US 401K deferred savings plan and an additional deferred compensation scheme. The Finance Director (currently resident in the UK) receives an annual cash sum in lieu of contributions to a company pension scheme. Additional benefits may be provided to ensure the Group remains competitive within the relevant local market. 	<ul style="list-style-type: none"> Pension contributions vary based on individual circumstances. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> While no formal changes are being proposed to the policy this year, the Committee commits that any future appointments to the Board will receive a pension contribution in line with the majority of the workforce in the country of domicile. This commitment will be formalised as part of the next Policy review in 2021.
Benefits				
<ul style="list-style-type: none"> To provide normal benefits appropriate to the country of residence. 	<ul style="list-style-type: none"> Each executive Director is provided with healthcare insurance and the option of a company car with fuel benefits. Additional benefits may be provided to ensure the Group remains competitive within the relevant local market. 	<ul style="list-style-type: none"> There is no maximum value set on benefits. They are set at a level that is comparable to market practice. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.

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Directors' Remuneration Policy Summary continued

Variable Emoluments

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Annual Bonus				
<ul style="list-style-type: none"> To incentivise annual delivery of financial and operational targets. To provide a high reward potential for exceeding demanding targets. 	<ul style="list-style-type: none"> Awards are subject to the Annual Bonus Plan rules adopted by the Board in 2010 and amended in 2018. Bonus begins to accrue when 80% of the Annual Budget targets are achieved and increases on a straight-line basis to a maximum when 120% of Budget is achieved. For an on-target performance, defined as actual results equal to the Budget, the Chief Executive is paid 100% of base salary and the Finance Director is paid 75% of base salary. 25% of the post-tax value of the annual bonus is payable in Hunting shares. These shares are required to be held for two years from the vesting date. Malus and clawback provisions are incorporated and allow the Committee to reduce the bonus, potentially down to zero, in cases of material financial misstatement, calculation error or gross misconduct. 	<ul style="list-style-type: none"> The Chief Executive and Finance Director have a maximum annual bonus opportunity of 200% and 150% of salary, respectively. 	<ul style="list-style-type: none"> The annual bonus is based 60% on underlying PBT, 20% on underlying ROCE and 20% on the delivery of Personal Performance objectives. The vesting of the Personal Performance component is subject to a financial underpin. Should the financial targets not be met, a 50% vesting cap of the Personal Performance component will be implemented. 	<ul style="list-style-type: none"> While not currently in the approved Policy, the Committee reviewed the malus and clawback triggers in the year and added reputational damage.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Hunting Performance Share Plan ("HPSP")				
<ul style="list-style-type: none"> To align the interests of executives with shareholders in growing the value of the business over the long term. 	<ul style="list-style-type: none"> The HPSP provides for annual awards of performance shares or nil cost options to eligible participants. Vesting is based on a three-year performance period. On vesting, awards are subject to an additional two-year holding period (subject to settlement of any tax charges on vesting). Awards are subject to clawback and malus provisions. The Committee has the ability to exercise discretion to override the HPSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles. Any upward discretion would be subject to prior shareholder consultation. 	<ul style="list-style-type: none"> Chief Executive: 550% of base salary. Finance Director: 450% of base salary. The policy limit provides the Committee with flexibility in cases such as recruitment. The Committee has set the current award levels for the Chief Executive and Finance Director of 450% and 210% of salary, respectively, and does not currently intend to increase these. Achievement of a threshold performance target results in a 25% vesting for any portion of the award. 	<ul style="list-style-type: none"> Awards vest on achievement of financial and strategic performance measures, measured over a three-year performance period. Financial measures include EPS, ROCE and TSR and amounts for an aggregate weighting of 85% of each award. A fourth measure, in the form of a Strategic Scorecard, comprises a number of sub-measures having an aggregate weighting of 15% of each award. HPSP awards are based 35% on ROCE, 25% on EPS, 25% on relative TSR and 15% on a Strategic Scorecard. The Scorecard measures for 2020 will include the Group's Quality Assurance and Safety outcome across the performance period. 	<ul style="list-style-type: none"> While not currently in the approved Policy, the Committee reviewed the malus and clawback triggers in the year and added reputational damage.
Minimum Stock Ownership Requirement				
<ul style="list-style-type: none"> To encourage the retention of shares under award to the executive Directors. To align the long-term interests of the executive with shareholders. 	<ul style="list-style-type: none"> Directors have five years to achieve the required holding level from the date of their appointment to the Board. The Board has discretion to extend this time period if warranted by individual circumstances. 	<ul style="list-style-type: none"> The target holding of the Chief Executive is equal to the market value of 500% of base salary and for the Finance Director 200% of base salary. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.

Directors' Remuneration Policy Summary continued

Chairman and Non-executive Director Fees

The remuneration of the non-executive Directors is designed to reflect the time and commitment of each to their respective roles.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Non-executive Director Remuneration Policy Table				
<ul style="list-style-type: none"> To attract and retain high-calibre non-executive Directors by offering a market competitive fee. 	<ul style="list-style-type: none"> Fees for the Chairman and non-executive Directors are determined by the Board as a whole, following receipt of external fee information and an assessment of the time commitment and responsibilities involved. The Chairman is paid a single consolidated fee of £183,750 (\$234,502) for his responsibilities including chairing the Nomination Committee. The non-executive Directors are paid a basic fee of £60,000 (\$76,572). The Directors who chair the Board's Audit and Remuneration Committees and the Senior Independent Director are paid an additional fee of £10,000 (\$12,762) to reflect their extra responsibilities. The non-executive Directors and Chairman do not participate in the Group's share plans and do not receive a cash bonus or any other benefits. 	<ul style="list-style-type: none"> Fees paid to the non-executive Directors are benchmarked to other UK companies of a similar size and profile to the Group. Given the small size of the Board, each non-executive Director is expected to give an above average time commitment to Group matters and fees are based on this increased commitment. The Company's Articles of Association prescribe aggregate maximum fees for all non-executive Directors which is set at £750,000 (c.\$1.0m). 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.
Minimum Stock Ownership Requirement				
<ul style="list-style-type: none"> To align the non-executive Directors' interests with the long-term interests of shareholders. 	<ul style="list-style-type: none"> Non-executive Directors are required to build up a holding of shares in the Company and have five years to achieve the required holding level from the date of their appointment to the Board. 	<ul style="list-style-type: none"> The target holding for the Chairman and non-executive Directors is equal to 100% of the annual fee. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.



Ansell Bay
Chair of the Remuneration Committee

27 February 2020

Annual Report on Remuneration

Introduction

The principles set out in the Directors' Remuneration Policy (the "Policy"), approved by shareholders in April 2018, have been applied throughout the year.

Role

The Committee is responsible for developing and implementing the remuneration policy for the Company and has direct oversight of the remuneration of the executive Directors and the Company Chairman.

The Chairman and Chief Executive are consulted on proposals relating to the remuneration of the Finance Director and designated senior management. Where appropriate, the Chairman and other Directors are invited by the Committee to attend meetings, but are not present when their own remuneration is considered.

During the year and, in compliance with the new UK Corporate Governance Code, the Committee reviewed and monitored the remuneration framework of the Company's Executive Committee and also monitored base salary increases across the Company's workforce.

The remuneration of the non-executive Directors is agreed by the Board as a whole and follows the Articles of Association of the Company which were last approved by shareholders on 18 April 2018.

The full scope of the role of the Committee is set out in its terms of reference, which are reviewed annually, and can be found on the Group's website at www.huntingplc.com.

Membership and Attendance

The Committee consists entirely of independent non-executive Directors. Ms Bay and Mr Lough have relevant sector expertise, while Mrs Chesney has relevant financial expertise. Ms Bay was appointed to the Committee on her appointment to the Board on 2 February 2015 and was appointed Chair on 30 August 2018.

The Committee met four times during the year and attendance details are shown in the table below:

	Member	By invitation
Number of meetings held	4	
Number of meetings attended (actual/possible):		
Annell Bay (Committee Chair)	4/4	–
Carol Chesney	4/4	–
Jay Glick	–	4/4
Richard Hunting	–	4/4
Jim Johnson	–	4/4
Keith Lough	4/4	–
Peter Rose	–	4/4

At 31 December 2019 and up to the date of signature of the accounts, the members of the Committee and their unexpired term of office were:

Director	Latest appointment date	Unexpired term as at 27 February 2020
Annell Bay	2 February 2018	11 months
Carol Chesney	23 April 2018	14 months
Keith Lough	23 April 2018	14 months

External Advisers

During the year, Mercer/Kepler ("Kepler") was engaged by the Committee to provide remuneration consultancy services. Kepler's appointment was subject to a formal tender and is regarded as independent, having been appointed by and acting under direction of the Committee. The total cost of advice to the Committee during the year to 31 December 2019 was \$58,877 (2018 – \$104,727) and includes fees paid in respect of review work in relation to the adoption of the 2018 UK Corporate Governance Code, benchmarked salary and fee data share plans and remuneration reporting disclosure requirements.

Annual Report on Remuneration continued

Director Remuneration (audited)

	Fixed remuneration				Variable remuneration			2019 Total remuneration \$000
	Base salary/fees ⁱ \$000	Benefits ⁱⁱ \$000	Pension ⁱⁱⁱ \$000	Sub total \$000	Annual bonus ^{iv} \$000	HPSP awards ^{vii} \$000	Sub total \$000	
2019								
Executives								
Jim Johnson	726	55	78	859	567	803	1,370	2,229
Peter Rose	428	27	107	562	250	346	596	1,158
Non-executives								
Annell Bay ^{viii}	89	-	-	89	-	-	-	89
Carol Chesney ^{ix}	89	-	-	89	-	-	-	89
Jay Glick ^x	235	-	-	235	-	-	-	235
Richard Hunting	77	-	-	77	-	-	-	77
Keith Lough ^{xi}	89	-	-	89	-	-	-	89
Total	1,733	82	185	2,000	817	1,149	1,966	3,966

	Fixed remuneration				Variable remuneration			2018 Total remuneration \$000
	Base salary/fees ⁱ \$000	Benefits ⁱⁱ \$000	Pension ⁱⁱⁱ \$000	Sub total \$000	Annual bonus ^v \$000	HPSP awards ^{vii} \$000	Sub total \$000	
2018								
Executives								
Jim Johnson	700	51	126	877	1,400	1,438	2,838	3,715
Peter Rose	431	31	108	570	651	891	1,542	2,112
Non-executives								
Annell Bay ^{viii}	84	-	-	84	-	-	-	84
Carol Chesney (from 23 April) ^{ix}	64	-	-	64	-	-	-	64
Jay Glick ^x	233	-	-	233	-	-	-	233
John Hofmeister (to 30 August) ^{xii}	71	-	-	71	-	-	-	71
Richard Hunting	80	-	-	80	-	-	-	80
Keith Lough (from 23 April) ^{xi}	60	-	-	60	-	-	-	60
John Nicholas (to 18 April) ^{xii}	28	-	-	28	-	-	-	28
Total	1,751	82	234	2,067	2,051	2,329	4,380	6,447

Notes:

- i. Jim Johnson was appointed Chief Executive on 1 September 2017, with an annual base salary of \$700,000. The Committee met on 16 April 2019 to discuss base salary adjustments for the executive Directors and following these deliberations increased Mr Johnson's base salary by 5.0% to \$735,000. The Committee took into account that Mr Johnson had shown strong progress in the role over his first 19 months, and had received no adjustments to his salary over this period. The Committee also reviewed the base salary increases awarded to the Executive Committee, which were between 3.0% and 4.2% for 2019 and following consultation with the Chief Executive agreed to increase Mr Rose's base salary by 4.0% to £338,553 / \$432,061 (2018 – £325,532 / \$434,032). The average base salary increase for the workforce in the year was 2.7%. The average £:\$ exchange rate in the year was 1.2762 (2018 – 1.3333). These increases were implemented from 1 April 2019.
- ii. Benefits include the provision of healthcare insurance, a company car and fuel benefits.
- iii. Jim Johnson's single figure pension remuneration represents Company contributions payable to his US pension arrangements. Peter Rose's pension figure represents a cash sum in lieu of Company pension contribution, which was 25% of his annual base salary in both 2018 and 2019.
- iv. As noted in the Letter from the Chair of the Remuneration Committee, the financial performance of the Company was marginally below the Annual Budget agreed in December 2018, leading to an "Above Threshold" pay out. In February 2020, the Committee reviewed the delivery of the personal performance objectives of the executive Directors and concluded that both Mr Johnson and Mr Rose had completed their objectives in full. On this basis, Mr Johnson's and Mr Rose's annual bonuses vested at 39% of maximum with Mr Johnson being awarded a bonus of \$567k, and Peter Rose being awarded \$250k. Under the rules of the Annual Bonus Plan, 25% of the post-tax value of the bonus is to be delivered to the executive Directors in Hunting shares.
- v. In 2018, both executive Directors received a maximum bonus, given their personal performance and the performance of the Company in the year. Jim Johnson received a bonus totalling \$1.4m and Peter Rose received a bonus totalling \$651k.
- vi. The share awards granted in 2017 under the HPSP had a three-year performance period to 31 December 2019. The awards were measured on this date against the performance conditions, with a 40.4% vesting recorded for the EPS performance condition and a 25.0% vesting for the ROCE performance condition. The TSR performance condition was measured by Kepler in line with the HPSP rules, which resulted in a 100% vesting of this portion of the award. As an executive Director on the date of grant, Peter Rose will receive 63,890 Ordinary shares based on a 55.1% vesting. Jim Johnson's award was made when he was Chief Operating Officer and incorporated a fourth performance condition based on the Group's internal manufacturing reject rate. This performance condition has also vested in full, therefore Mr Johnson's 2017 award will vest at 66.4% and he will receive 148,314 Ordinary shares. For the purposes of the single figure calculation, the average mid-market closing price of £4.09 during Q4 2019 has been applied to the number of vested shares and converted to dollars using the average £:\$ exchange during Q4 2019, being \$1.2880. The share price on the date of grant, being 3 March 2017, was £5.40. Further, a cash payment equalling the dividends paid during the vesting period has been added to the single figure calculation, totalling 14.0 cents per vested share. The vesting date of the 2017 award is 3 March 2020, when the final values of the awards will be determined.
- vii. The share awards granted on 11 March 2016 vested on 11 March 2019. Following performance measurement, Mr Johnson received 179,745 shares at a market value of £5.199 per share, plus a cash dividend equivalent of 8.0 cents per share giving a total payment to Mr Johnson of \$1,249,502. Mr Rose exercised his 111,327 vested awards in full on 17 June 2019, at a market value of £4.936 per share. Mr Rose received £556,073 including a cash dividend equivalent converted at a spot dollar rate of 1.2534 which totalled \$696,982.
- viii. Annell Bay was appointed Chair of the Remuneration Committee from 30 August 2018, with her fees increasing to reflect this additional responsibility.
- ix. Carol Chesney was appointed as a Director and Chair of the Audit Committee on 23 April 2018 with an annual fee of £70,000.
- x. Jay Glick was appointed Company Chairman on 1 September 2017 with his annual fee set at £175,000. From 1 January 2019, Mr Glick's annual fee was increased to £183,750. Mr Glick does not receive additional fees for chairing the Nomination Committee.
- xi. Keith Lough was appointed as a Director on 23 April 2018 and subsequently Senior Independent Director on 30 August 2018, with an annual fee of £70,000.
- xii. John Nicholas and John Hofmeister retired as Directors during 2018.

The remuneration of Peter Rose and the non-executive Directors is originally denominated in Sterling and is as follows:

2019	Fixed remuneration				Variable remuneration			2019 Total remuneration £000
	Base salary/fees £000	Benefits £000	Pension £000	Sub total £000	Annual cash bonus £000	HPSP awards £000	Sub total £000	
Executives								
Peter Rose ⁱ	335	21	84	440	196	268	464	904
Non-executives								
Annell Bay ⁱⁱ	70	-	-	70	-	-	-	70
Carol Chesney ⁱⁱⁱ	70	-	-	70	-	-	-	70
Jay Glick ^{iv}	184	-	-	184	-	-	-	184
Richard Hunting	60	-	-	60	-	-	-	60
Keith Lough ^v	70	-	-	70	-	-	-	70

2018	Fixed remuneration				Variable remuneration			2018 Total remuneration £000
	Base salary/fees £000	Benefits £000	Pension £000	Sub total £000	Annual cash bonus £000	HPSP awards £000	Sub total £000	
Executives								
Peter Rose ⁱ	323	23	81	427	488	692	1,180	1,607
Non-executives								
Annell Bay ⁱⁱ	63	-	-	63	-	-	-	63
Carol Chesney (from 23 April) ⁱⁱⁱ	48	-	-	48	-	-	-	48
Jay Glick ^{iv}	175	-	-	175	-	-	-	175
John Hofmeister (to 30 August) ^v	53	-	-	53	-	-	-	53
Richard Hunting	60	-	-	60	-	-	-	60
Keith Lough (from 23 April) ^v	45	-	-	45	-	-	-	45
John Nicholas (to 18 April) ^{vi}	21	-	-	21	-	-	-	21

Notes:

- Peter Rose's base salary was increased to £338,553 with effect from 1 April 2019.
- Annell Bay was appointed Chair of the Remuneration Committee on 30 August 2018, with her annual fee increasing to £70,000.
- Carol Chesney was appointed a Director and Chair of the Audit Committee on 23 April 2018, with her annual fee set at £70,000.
- Jay Glick was appointed Company Chairman on 1 September 2017, with his annual fee set at £175,000 for this role. From 1 January 2019, Mr Glick's annual fee was increased to £183,750.
- Keith Lough was appointed as a Director on 23 April 2018 and subsequently Senior Independent Director on 30 August 2018, with his annual fee set at £70,000.
- John Hofmeister and John Nicholas retired as Directors during 2018.

Salary and Fees

On 16 April 2019 the Committee met to discuss base salary adjustments for the executive Directors. As part of its deliberations, the Committee reviewed benchmarked base salary data prepared by Kepler and received data from the Group's Chief HR Officer on the remuneration changes to the Executive Committee and wider workforce that had been implemented during 2019.

Following discussion, the Committee increased the base salary of Jim Johnson by 5.0% to \$735,000 p.a. In coming to this conclusion, the Committee noted that Mr Johnson's base salary was lower than many of his executive peers in the global energy services industry and that no changes to his base salary had been made for the 19 months since his appointment to the Board on 1 September 2017, a period over which he had demonstrated strong progress in the role of Chief Executive. Further, the Committee increased the base salary of Peter Rose by 4.0% to £338,553 (\$432,061). As part of its decision making, the Committee consulted the Chief Executive and Chairman and noted that the base salary increases for the members of the Executive Committee were between 3.0% and 4.2% in 2019 and the average workforce increase was 2.7%.

In December 2018, the Board reviewed the fee levels for non-executive Directors, which resulted in no changes being made for 2019.

The Committee also reviewed benchmarked fee data for the Company Chairman and agreed to increase his annual fee to £183,750, effective 1 January 2019.

Annual Report on Remuneration continued

Pensions (audited)

Jim Johnson is a member of a deferred compensation scheme in the US, which is anticipated to provide a lump sum on retirement and contributes to a US 401K match deferred savings plan. Company contributions to the former arrangement were \$60,820 (2018 – \$109,500) in the year. There are no additional benefits provided on early retirement from this arrangement. In the year, the Group contributed to Mr Johnson's 401K saving plan, totalling \$16,800 (2018 – \$16,500). In 2019, the Company paid a cash sum in lieu of a pension contribution to Peter Rose totalling \$106,976 / £83,824 (2018 – \$107,717 / £80,790) representing 25% of his annual base salary. In August 2019, the Committee agreed to freeze Mr Rose's cash sum in lieu of a pension contribution from 1 January 2020.

Annual Performance-Linked Bonus Plan (audited)

Following the Company's Annual General Meeting in April 2018, the executive Director annual performance-linked bonus plan was amended. The revised operation of the bonus plan is therefore:

Proportion of award	Performance metric
60%	Underlying Profit before Tax
20%	Underlying Return on Capital Employed
20%	Personal Performance Objectives

Delivery of Financial Objectives

The financial performance targets for the 2019 annual bonus were as follows:

	Threshold vesting	Target vesting	Maximum vesting	Adjusted result
Underlying Profit before Tax	\$83.4m	\$104.7m	\$125.6m	\$94.7m
Underlying Return on Capital Employed	7.4%	9.3%	11.1%	8.0%

The financial objectives within the annual bonus start to accrue when 80% of the Annual Budget targets are met, increasing on a straight-line basis up to 120% of the budget target. The Target Vesting values are the basis of the 2019 Annual Budget agreed by the Board in December 2018. In 2019, the Group delivered an underlying profit before tax of \$93.1m and an underlying return on capital employed of 7.9%. As noted in the report from the Chair of the Remuneration Committee, in determining the final outcome of the PBT and ROCE measures, the Committee has reversed the impact of the trading losses and acquisition costs of RTI Energy Systems Inc., totalling \$1.6m, leading to PBT of \$94.7m and ROCE of 8.0%. In coming to this decision, the Committee agreed that while the transaction was a key strategic milestone delivered by management, and which introduced new products to the Group's customers, the acquisition was not incorporated within the 2019 Annual Budget and that the short-term trading losses and acquisition costs of the business in 2019 adversely impacted the overall underlying profit result delivered in the year. The final vesting amounts for the Annual Bonus have therefore utilised an adjusted PBT and ROCE result, as noted in the table above with a total vesting of the financial targets being 19% of the maximum opportunity of 80%.

Delivery of Personal Performance Objectives

The Personal Performance objectives agreed by the Committee with the executive Directors with effect from January 2019 were as follows:

Jim Johnson (Chief Executive)

Strategic Planning (50%)

- Development of three-year plan for each business including capex requirements, research and development budgets and organisational enhancements.
- Detailed merger and acquisition plans, including business unit divestment priorities.

Leadership and Organisational Effectiveness (25%)

- Development and implementation of detailed successions plans, including high-grading of key executive talent.
- Implementation of an effective global employee engagement plan.
- Continuing cultural leadership to enable outstanding performance in quality products and HSE of our employees, contractors and facilities.

Efficiency and Utilisation Initiatives (25%)

- Enhance understanding of lean manufacturing strategies and cost effectiveness of global programme.
- Enhance reporting of research and development projects.

Peter Rose (Finance Director)

Strategic Planning (50%)

- Development of three-year plan for each business including capex requirements, research and development budgets and organisational enhancements.
- Detailed merger and acquisition plans, including business unit divestment priorities.

Leadership and Organisational Effectiveness (35%)

- Development and implementation of detailed successions plans, including high-grading of key executive talent in finance and IT.
- Implementation of an effective global employee engagement plan.
- Enhancement of Investor Relations strategy.
- Enhancement of ESG-related disclosures.
- Implementation of IT, Cyber and Data Management Strategy.

Operational and Financial Initiatives (15%)

- Identify and implement opportunities to enhance financial controls, corporate governance framework and financial reporting.

During the year, the Committee was updated on the progress of the objectives noted above – and for the year ended 31 December 2019 noted the following outcomes:

Strategic Planning

In June 2019 the Board reviewed a comprehensive Group Strategic Plan covering the period 2019 to 2023. The Plan encompassed, for each operating segment, detailed financial projections, SWOT analyses as well as potential acquisition candidates and technology investment opportunities allowing the Board to consider growth opportunities and Hunting's position within the global market.

The Strategic Plan was adopted and approved at the June 2019 meeting.

Succession Planning

The Board noted the progress in the area of executive talent development and recruitment, since the appointment of a Group Chief HR Officer in November 2018. In July 2019 an all-employee engagement survey was launched with the results being noted by the Board. Further, in December 2019 the Chief HR Officer presented to the Board initiatives and plans to develop the HR platform within the Group. The Committee noted that a clear framework for executive Director and Executive Committee succession had been put in place enabling the Board to understand the future potential of the existing team.

Efficiency and Utilisation

The Board reviewed reports on lean manufacturing initiatives underway across the Company and the cost benefits being derived from the various programmes underway. Further, the research and development pipeline was reviewed, as part of the Strategic Plan.

Investor Relations

The Board noted the Investor Relations Plan which had been executed in the year, including the strength and depth of the Company's share register and the development of new investors in the year. The Committee noted the presentation delivered by the Head of Investor Relations to broaden the geographic spread of the Company's share register and also the improvements to ESG-related disclosures of the Group.

IT

The Board noted the IT and Cyber briefings presented in the year which addressed aspects of the Group's overall risk management framework. It was noted that key IT projects, including security and monitoring, had been progressed in the year.

Other Initiatives

The Committee noted that a review of the Group's corporate governance and stakeholder policies and procedures had been completed in the year, in line with the new Code and noted the new reporting mechanisms on stakeholder engagement, which had been implemented.

Accordingly, the Committee concluded that all Personal Performance objectives had been met in full during the year.

Based on this outcome the following bonus awards were made to the executive Directors:

Proportion of annual bonus allocated	Performance metric	Percentage of annual bonus awarded
60%	Underlying Profit before Tax	16%
20%	Underlying Return on Capital Employed	3%
20%	Personal Performance Objectives	20%

Mr Johnson was therefore awarded a bonus of \$567k (77% of base salary) and Mr Rose was awarded a bonus of \$250k (58% of base salary). In line with the revised operation of the Annual Bonus Plan rules 25% of the post-tax value of the bonus will be delivered in Hunting shares, to be held for two years.

In 2018 the annual bonus awards to the executive Directors were as follows: Mr Johnson – \$1.4m and Mr Rose – \$651k. On 1 March 2019, Mr Johnson received 29,232 Ordinary shares and Mr Rose 11,817 Ordinary shares, representing 25% of the post-tax value of the bonus, to be held for two years from 28 February 2019.

Annual Report on Remuneration continued

2017 HPSP Vesting (audited)

The 2017 awards under the HPSP have been measured against the performance conditions following completion of the three-year performance period.

The executive Director performance metrics were based on absolute diluted EPS and ROCE targets, to be delivered in the financial year ended 31 December 2019, in addition to a three-year relative TSR performance condition, ranked against a comparator group of 14 companies.

In determining the vesting outcome the measurement of the EPS and ROCE performance conditions has incorporated IAS 17 Leases, which was the basis of the targets and grant agreed in 2017.

A summary of the EPS and ROCE performance is detailed below:

	Threshold vesting target	Maximum vesting target	Recorded performance under IAS 17 Leases	% Vesting outcome
Underlying diluted EPS	40 cents	60 cents	44.1 cents	40.4%
Underlying ROCE	8%	15%	8.0%	25.0%

The Total Shareholder Return performance condition was measured by Kepler in January 2020, following completion of the three-year performance period. Hunting's TSR performance against the 14 comparator companies was then ranked, resulting in an upper quartile position corresponding to 100% vesting of the TSR portion of the 2017 HPSP award.

Given the partial vesting of the EPS and ROCE portions and a full vesting of the TSR portion of the 2017 grant, the total vesting of the 2017 award is 55.1% based on these three performance conditions. Peter Rose, as an executive Director across the whole performance period, will receive 63,890 shares.

As noted previously, Mr Johnson's 2017 award was made when he was Chief Operating Officer and not an executive Director, with his award including a fourth performance condition based on the Group's recorded average internal manufacturing reject rate across the performance period. The three-year outcome for this performance condition was 0.26%, with a threshold vesting target of 1.2% and a maximum vesting target of 0.60%. Based on this recorded performance, a 100% vesting has been recorded, equating to a 66.4% vesting for Mr Johnson's 2017 award. On the vesting date, Mr Johnson will therefore receive 148,314 shares.

A cash equivalent of dividends paid by the Company during the vesting period, totalling 14.0 cents per vested share, will be added to the award on the vesting date. The 2017 HPSP vesting has been calculated as follows:

	No. of shares granted in 2017	Vesting %	No. of shares vested	Value of vested shares at 31 December 2019* \$	Value of dividends at 14.0 cents per share \$	Total award value \$
Jim Johnson**	223,533	66.4	148,314	782,128	20,764	802,892
Peter Rose	115,889	55.1	63,890	336,921	8,945	345,866

* As per the methodology for reporting the values of unvested awards, the average price of a Hunting PLC share during Q4 2019 of £4.09 has been applied and converted to dollars at an exchange rate of 1.288 for the period. The share price on the date of grant was £5.40.

** Jim Johnson's 2017 award, as Chief Operating Officer on the date of grant, was subject to a fourth performance condition which has vested in full, equating to a 100% vesting of this element of his award.

2016 HPSP Vesting (audited)

On 31 December 2018, the 2016 awards under the HPSP were measured against the performance conditions following completion of the three-year performance period, resulting in the following outcome:

	No. of shares granted in 2016	Vesting %	No. of shares vested	Value of vested shares at 11 March 2019* \$	Value of dividends at 8.0 cents per share \$	Total award value \$
Jim Johnson**	239,660	75.0	179,745	1,423,595	14,380	1,437,975
Peter Rose	166,991	66.7	111,327	881,727	8,906	890,633

* As per the methodology for reporting the values of unvested awards, the average price of a Hunting PLC share during Q4 2018 has been applied and converted to dollars at the average \$:£ exchange rate for the period.

** Jim Johnson's 2016 award, as Chief Operating Officer on the date of grant, was subject to a fourth performance condition which has vested in full, equating to a 75% vesting of his award.

Final award values were determined on exercise and are disclosed on page 94.

2019 HPSP Grant (audited)

On 21 March 2019, the Committee approved the grant of nil-cost share awards to Jim Johnson and nil-cost options to Peter Rose under the rules of the HPSP. Awards will vest on 21 March 2022, subject to the achievement of the performance metrics detailed on page 91 of the Policy, with a two-year holding period then applying to the post-tax vested shares. Details of the grant are as follows:

Director	Award as % of base salary	Number of shares under grant	Face value of award at threshold vesting of 25% \$	Face value of maximum award vesting at 100% \$
Jim Johnson	450%	422,507	787,500	3,150,000
Peter Rose	210%	119,201	222,176	888,703

The Remuneration Committee adopted absolute EPS and ROCE targets to be delivered by 31 December 2021, three-year TSR targets and a Strategic Scorecard for the grants to the executive Directors in 2019. The Strategic Scorecard is subdivided equally between two non-financial KPIs, namely Quality Assurance and Safety performance metrics published by the Group during the performance period.

The targets for each performance condition are as follows:

Performance condition ⁱ	Proportion of award	Threshold vesting target	Maximum vesting target
TSR	25%	Median	Upper quartile
EPS	25%	50 cents	70 cents
ROCE	35%	10%	15%
Strategic Scorecard			
– Quality Assurance	7.5%	0.8	0.5
– Safety	7.5%	2.00	<1.00

i. To be achieved in the three years ending 31 December 2021.

The following quoted businesses comprise the TSR comparator group for the 2019 award:

Akastor	National Oilwell Varco	Tenaris
Dril-Quip	Oil States International	Vallourec
Flotek Industries	Schoeller-Bleckmann	Weatherford International
Forum Energy Technologies	Superior Energy Services	Weir Group
Frank's International	TechnipFMC	

The face value of the 2019 award is based on the five-day average mid-market share price up to 20 March 2019, which was 573.5 pence.

Payments to Past Directors (audited)

Dennis Proctor, the Group's former Chief Executive, retired from the Company on 1 September 2017 and was treated as a good leaver. With the exception of outstanding HPSP awards, no emoluments were paid to Mr Proctor in 2019. Mr Proctor's 2016 HPSP grant vested on 11 March 2019, when he received 193,480 Ordinary shares at a value of \$1,330,104 and a cash equivalent dividend of \$14,878.

Directors' Shareholdings, Ownership Policy and Share Interests (audited)

The beneficial interests of the Directors in the issued Ordinary shares of the Company are as follows:

Director	At 31 December 2019 ⁱⁱ	At 31 December 2018 ⁱ
Executives		
Jim Johnson	205,042	66,966
Peter Rose	167,712	97,028
Non-executives		
Annell Bay	11,840	11,840
Carol Chesney	5,000	2,000
Jay Glick	41,373	23,000
Richard Hunting	468,133	466,583
– as trustee	905,783	924,049
– as Director of Hunting Investments Limited	11,003,487	11,003,487
Keith Lough	9,000	2,000

i. Beneficial share interests are those Ordinary shares owned by the Director or spouse, which the Director is free to dispose of.

ii. Or cessation date.

There have been no further changes to the Directors' share interests in the period 31 December 2019 to 27 February 2020.

Annual Report on Remuneration continued

In 2014, the Group implemented a share ownership policy that requires Directors and certain senior executives within the Group to build up a holding in shares equal in value to a certain multiple of their base salary or annual fee. The multiple takes into account the post-tax value of vested but unexercised share awards or options. The required shareholding of each Director and the current shareholding as a multiple of base salary as at 31 December 2019 is presented below:

Director	Required holding expressed as a multiple of base salary or fee	Requirement met*
Jim Johnson	5	N
Peter Rose	2	Y
Annell Bay	1	N
Carol Chesney	1	N
Jay Glick	1	Y
Richard Hunting	1	Y
Keith Lough	1	N

* The value of the holding of the Directors has been determined using the value on purchase of Ordinary shares or the share price at 31 December 2019 of £4.17.

The interests of the executive Directors over Ordinary shares of the Group under the HPSP are set out below. The vesting of options and awards are subject to performance conditions set out within the Policy.

Director	Interests at 1 January 2019	Options/ awards granted in year	Options/ awards exercised in year	Options/ awards lapsed in year	Interests at 31 December 2019	Exercise price p	Grant date	Date exercisable	Expiry date	Scheme
Jim Johnson	239,660	–	(179,745)	(59,915)	–	nil	11.03.16	11.03.19	–	HPSP
	223,533	–	–	–	223,533 [^]	nil	03.03.17	03.03.20	–	HPSP
	286,624	–	–	–	286,624 [^]	nil	19.04.18	19.04.21	–	HPSP
	–	422,507	–	–	422,507 [^]	nil	21.03.19	21.03.22	–	HPSP
Total	749,817	422,507	(179,745)	(59,915)	932,664					
Peter Rose	166,991	–	(111,327)	(55,664)	–	nil	11.03.16	11.03.19	11.03.26	HPSP
	115,889	–	–	–	115,889 [~]	nil	03.03.17	03.03.20	03.03.27	HPSP
	87,085	–	–	–	87,085 [~]	nil	19.04.18	19.04.21	19.04.28	HPSP
	–	119,201	–	–	119,201 [~]	nil	21.03.19	21.03.22	21.03.29	HPSP
Total	369,965	119,201	(111,327)	(55,664)	322,175					

[^] Nil-cost share awards that are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the HPSP rules.

[~] Nil-cost share options that are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the HPSP rules.

Shareholder Voting at the 2019 AGM

At the Company's AGM held in April 2019, the resolution to approve the Annual Report on Remuneration received the following votes from shareholders:

	Number of votes cast	% of votes cast
For	125,531,545	95.63
Against	5,732,104	4.37
Votes withheld ⁱ	5,362,254	–
Total votes cast	136,625,903	100.00

i. A vote withheld is not a vote in law and is not included in the calculation of the percentage of votes cast.

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting on 18 April 2018, with 98.92% voting in favour of the resolution. The Policy will next be tabled for shareholder approval at the Company's Annual General Meeting in April 2021.

Relative Importance of Spend on Pay

The table below shows the relative importance of spend on employee remuneration in relation to corporate taxation, dividends and capital investment. The choice of performance metrics represents certain operating costs of the Group and the use of operating cash flows in delivering long-term shareholder value.

	2019 \$m	2018 \$m	Change
Employee remuneration ⁱ	260.0	254.5	+2%
Net tax paid ⁱⁱ	(7.7)	(2.6)	+196%
Dividends paid ⁱⁱ	16.6	6.6	+152%
Capital investment ⁱⁱ	36.0	30.1	+20%

i. Includes staff costs for the year (note 8) plus benefits in kind of \$37.1m (2018 – \$32.7m), which primarily comprises US medical insurance costs.

ii. Please refer to page 121 and note 36.

Executive Director Remuneration and the Wider Workforce

The changes to the remuneration of the Chief Executive in 2019 compared to 2018 and those of the total workforce are as follows:

	Chief Executive	Average employee
Base salary	+3.7%	nil
Bonus	-59.5%	-15.1%
Benefits	-24.9%	+1.3%

The average salary increase for employees in 2019 was 2.7%, however, the figure in the table is lower, due to a higher headcount in the year.

Changes to Director and Employee Pay

The table below is presented in compliance to the Shareholder Rights Directive II, which was enacted in the UK on 10 June 2019. The changes to the emoluments paid to Jim Johnson and Peter Rose reflect the changes to base salaries agreed by the Remuneration Committee and the levels of vesting of the annual bonus and long-term incentive arrangements.

	2018 to 2019
Jim Johnson	-37%
Peter Rose	-34%
Annell Bay	+11%
Carol Chesney	+46%
Jay Glick	+5%
Richard Hunting	nil
Keith Lough	+56%
Global employees	+5%

Chief Executive and Workforce Pay Ratio

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	49:1	38:1	22:1
	Workforce Pay Quartiles	\$45,663	\$58,603	\$99,521

The Company has elected to voluntarily disclose the pay ratio of the Group's Chief Executive and Workforce, in line with The Companies (Miscellaneous Reporting) Regulations 2018 and has adopted Option A from the regulations as the basis of presenting the pay ratio.

Hunting's UK employees averaged 207 in the year, which represents 7% of the Group's total average workforce in 2019. The basis of the workforce calculation is aligned with the basis of preparation of the single figure table on page 94, comprising of fixed and variable emoluments and is calculated on a full-time equivalent basis, in line with the requirements of the regulations.

Further, the above disclosure assumes a maximum company pension contribution of 12% of base salary; however, it is noted that not all UK employees elect to receive this level of contribution. This data has been collated for the 12 months ended 31 December 2019.

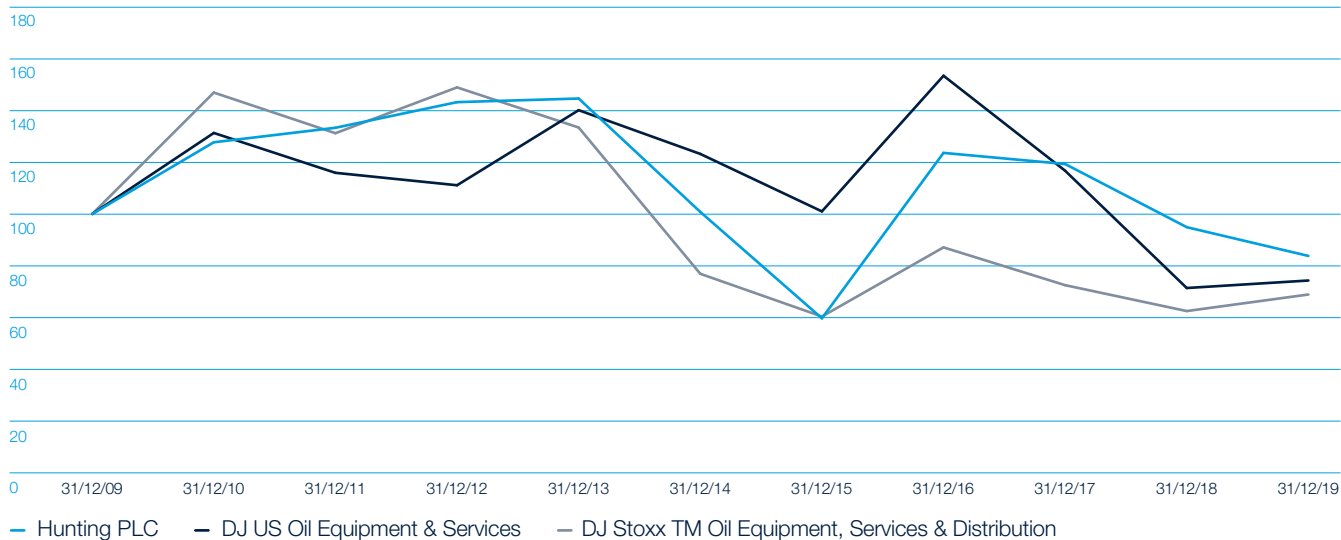
Annual Report on Remuneration continued

Executive Director Remuneration and Shareholder Returns

The following chart compares the TSR of Hunting PLC between 2009 and 2019 to the DJ Stoxx TM Oil Equipment, Services and Distribution and DJ US Oil Equipment and Services indices. In the opinion of the Directors, these indices are the most appropriate indices against which the shareholder return of the Company's shares should be compared because they comprise other companies in the oil and gas services sector.

Total Shareholder Return

(Rebased to 100 at 31 December 2009)



Summary Table of Chief Executive's Remuneration

The accompanying table details remuneration of the Chief Executive:

	Single figure remuneration ⁱ \$000	Annual cash bonus ⁱⁱ %	ESOP/PSP/ HPSP ⁱⁱⁱ % vesting	LTIP ^{iv} % award
2019 – Jim Johnson	2,229	39	66	n/a
2018 – Jim Johnson	3,715	100	75	n/a
2017 – Jim Johnson (from 1 September)	819	33	4	n/a
2017 – Dennis Proctor (to 1 September)	3,974	67	13	n/a
2016 – Dennis Proctor	941	Nil	Nil	n/a
2015 – Dennis Proctor	1,031	Nil	Nil	Nil
2014 – Dennis Proctor	4,808	57	Nil	100
2013 – Dennis Proctor	4,442	42	Nil	100
2012 – Dennis Proctor	5,497	75	66	100
2011 – Dennis Proctor	3,261	100	Nil	31
2010 – Dennis Proctor	1,876	100	100	5

i. Single figure remuneration reflects the aggregate remuneration paid to the Chief Executive as defined within the Directors' Remuneration Policy.

ii. Annual cash bonus percentages reflect the bonus received by the Chief Executive each year expressed as a percentage of maximum bonus opportunity.

iii. Percentage vesting reflects the percentage of the ESOP that vested in the financial year and the percentage of the PSP and HPSP where a substantial portion of the performance period was completed at the financial year-end. Messrs Johnson's and Proctor's awards have been pro-rated for their period of service as Chief Executive.

iv. LTIP award percentage reflects the award value expressed as a percentage of maximum award opportunity received each year measured at 31 December. The LTIP expired in 2015, with no further awards outstanding.

Implementation of Policies in 2020

The remuneration policies for 2020 will be applied in line with those detailed on pages 73 to 82 of the 2017 Annual Report and Accounts.

Salary and Fees

In December 2019, the Board concluded that there would be no changes made to fees payable to the non-executive Directors for 2020.

As noted above, the Remuneration Committee will meet in April 2020 to consider base salary changes for the executive Directors. Any changes are likely to align with Group-wide base salary increases.

Pension and Benefits

Jim Johnson will continue to receive contributions towards a US deferred compensation scheme and a US 401K match deferred savings plan, in line with previous years. Peter Rose will continue to receive a cash sum in lieu of a pension contribution which will be fixed at £84,638 for 2020. No changes are anticipated to the provision of benefits which will continue to include healthcare insurance, a company car and fuel benefits.

Annual Bonus

The annual performance-linked bonus for 2020 will operate in line with the Directors' Remuneration Policy. The Committee will disclose details of the retrospective performance against the pre-set financial targets and personal performance objectives, as the Board believes that forward disclosure of the financial targets is commercially sensitive. The annual bonus weightings will remain unchanged from 2019, being 60% PBT, 20% ROCE and 20% personal performance.

HPSP

The grants to the executive Directors for 2020 will be made in March 2020. The performance conditions, weightings and targets for the HPSP award will generally align with the 2019 HPSP grant. The performance targets will be included in the Stock Exchange announcement to be issued on award of the 2020 HPSP grant.

Remuneration of Bruce Ferguson

On 23 January 2020, the Company announced that Peter Rose is to retire as Finance Director and as a Director of the Company on 15 April 2020. The Board has proposed Bruce Ferguson as Mr Rose's successor, with his appointment subject to approval by shareholders at the Company's 2020 Annual General Meeting. Mr Ferguson's biography has been included in the Notice of Meeting, along with the Board's reasons for his appointment.

The Nomination Committee has agreed a base salary of £275,000 and a cash payment in lieu of a company pension contribution of 12% of base salary which aligns with the UK workforce. All other aspects of Mr Ferguson's remuneration aligns with the current Directors' Remuneration Policy as summarised on pages 88 to 92.

Compliance Statement

The Directors' Remuneration Policy and 2019 Annual Report on Remuneration reflect the Remuneration Committee's reporting requirements under the amended Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Shareholder Rights Directive II, as enacted on 10 June 2019 and also the 2018 UK Corporate Governance Code which became effective for the Company from 1 January 2019.

The 2019 Annual Report on Remuneration, which includes the Letter from the Chairman of the Remuneration Committee, details how the approved Directors' Remuneration Policy was applied during 2019. This report was approved by the Remuneration Committee at its meeting on Monday 24 February 2020.



Anell Bay

Chair of the Remuneration Committee

27 February 2020

Nomination Committee Report

For the year ended 31 December 2019

The work of the Committee in the year included reviewing the results of the new all-employee survey and the approval of an enhanced succession planning and talent management framework.

The Committee also reviewed its effectiveness in the year and agreed a timetable of work for 2020.

Since the year-end the Committee has met to agree the succession plan for the Group's Finance Director. As announced on 23 January 2020, Bruce Ferguson has been proposed by the Board for appointment by shareholders at the Company's Annual General Meeting.

John (Jay) F. Glick

Chair of the Nomination Committee

Composition and Frequency of Meetings

The Committee currently comprises the Company Chairman and the independent non-executive Directors of the Company and is chaired by John (Jay) Glick.

The Committee meets as required to discuss succession matters and, in 2019, met once in December.

The Committee operates under written terms of reference approved by the Board, which are published on the Company's website at www.huntingplc.com.

Attendance at the Nomination Committee meetings during the year is detailed in the table below:

	Member	Invitation
Number of meetings held:	1	
Number of meetings attended (actual/possible):		
Annell Bay	1/1	–
Carol Chesney	1/1	–
Jay Glick (Committee Chair)	1/1	–
Richard Hunting	–	1/1
Jim Johnson	–	1/1
Keith Lough	1/1	–
Peter Rose	–	1/1

Employee Engagement

The Group appointed a global Chief HR Officer during 2018, who reports directly to the Chief Executive.

In December 2019, the Committee and Board received a presentation on the activities of the Group's HR function, which included a review of the all-employee survey results, which had been initiated in July 2019.

Senior Management Development and Succession

As part of the new procedures introduced, evaluation of the senior leadership team and their direct reports has been undertaken. This has led to the Board identifying high-potential candidates, who will receive formal development and training to enhance the pipeline of talent for the most senior roles within the Company, including at Executive Committee and Board levels.

Change of Finance Director

The Company announced on 23 January 2020 the retirement of Peter Rose as Hunting's Finance Director. Peter has been an integral member of the Group's leadership team since 1997, helping to transform Hunting from a diversified conglomerate with interests in aviation, defence and energy, into a focused international energy services group.

Peter was appointed to the Board in April 2008 and has overseen major divestments and acquisitions, and leaves the Company in a very strong financial position. As previously announced, Peter will step down from the Board at the conclusion of the Company's Annual General Meeting on 15 April 2020. The Board is grateful for the leadership and direction Peter has provided over the Group's finance matters during this time and wish him a happy retirement.

The Committee has met since the start of 2020 to deliberate on the succession of the Group's Finance Director. Since 2018, a formal succession plan for all members of Hunting's leadership team has been in place and, following discussion and unanimous agreement, was delighted to recommend the appointment of Bruce Ferguson, currently managing director of the Group's EMEA operating segment.

Bruce is a qualified Chartered Management Accountant. He joined Hunting in 1994 and has held a number of senior finance and operational roles within the Group's European businesses and, since 2011, has been the managing director of the Group's EMEA segment.

Bruce has been proposed for appointment as Finance Director of the Company at Hunting PLC's 2020 Annual General Meeting and, subject to his election by shareholders, will join the Board on 15 April 2020. His proposed remuneration package is also detailed on page 103 of the Annual Report on Remuneration.

As part of the succession and appointment process, Heidrick & Struggles assisted the Committee in the interview and benchmarking process. Apart from this brief, Heidrick & Struggles do not have any other connection to the Company. Further, Kepler Associates provided benchmarked remuneration data which was reviewed by the Remuneration Committee.

Board Evaluation

As noted in the Corporate Governance Report on page 80, the Board undertook an internally facilitated Board evaluation in 2019. The process concluded that the skills and experience of the Directors were strong and appropriate for the size and profile of the Group.

Committee Effectiveness

At its December meeting, the Committee reviewed its terms of reference and considered its effectiveness, concluding that its performance had been satisfactory during the year.

Gender Diversity

Hunting's gender diversity policy commits the Group to:

- an embedded culture of equal opportunities for all employees, regardless of gender;
- require external recruitment consultants to submit their diversity policies to the Group prior to appointment;
- ensure that external consultants appointed by Hunting provide candidate shortlists comprising of an appropriate gender balance for consideration by the Nomination Committee; and
- a periodic review by the Nomination Committee of its progress in complying with best practice recommendations.

Following the appointment of Annell Bay in 2015 and Carol Chesney in 2018, Hunting's Board comprises 29% of female Directors, which is close to the recommended UK gender target of 33%.



John (Jay) F. Glick

Chair of the Nomination Committee

27 February 2020

Audit Committee Report

For the year ended 31 December 2019

During 2019, Hunting delivered a performance marginally below 2018, as the global oil and gas market continued to experience levels of volatility due to the general commodity price environment, and also due to geopolitical risks increasing in the year. This performance was consistent with the Board's expectations. Despite these headwinds, management delivered increased revenues in the year as a number of operating segments reported improving customer activity. This led to a strong year-end cash position, which is commendable given this trading environment.

The Company adopted IFRS 16 Leases from 1 January 2019, which has led to right of use assets of \$36.7m and lease liabilities of \$45.2m being recognised on the balance sheet as at 31 December 2019, with a net reduction of \$0.8m to profit before tax in the income statement. The Committee has reviewed the work completed by management to implement the standard, having received regular reports throughout the year, and discussed with the Company's auditor the impact on the Company's consolidated balance sheet and income statement.

2019 is the first year with Deloitte as the Company's auditor, having taken over from PricewaterhouseCoopers. The Committee reviewed its audit plans in the year for the interim and full-year accounts, and are pleased to report that good dialogue has developed between management, the Committee and the global audit team.

In summary, the Committee believes the Company continues to operate on a firm footing, with all controls assessed and reporting procedures remaining appropriate.

Carol Chesney

Chair of the Audit Committee

Composition and Frequency of Meetings

The Committee currently comprises three independent non-executive Directors and is chaired by Carol Chesney. Mrs Chesney is a qualified Chartered Accountant and is considered to have recent and relevant financial experience. Mr Lough and Ms Bay (Chair of the Remuneration Committee) have experience of the global energy industry, with particular expertise in the UK and US oil and gas markets. Further details of the Committee's experience can be found in the biographical summaries set out on pages 72 and 73.

During the year, there were no changes to the composition of the Committee.

The Committee usually meets four times a year and operates under written terms of reference approved by the Board, which are published on the Company's website at www.huntingplc.com.

In 2019, the Committee met four times, in February, April, August and December, and the attendance record of Committee members and Board-invitees during the year is noted below.

	Member	Invitation
Number of meetings held	4	
Number of meetings attended (actual/possible):		
Annell Bay	4/4	–
Carol Chesney (Committee Chair)	4/4	–
Jay Glick	–	4/4
Richard Hunting	–	4/4
Jim Johnson	–	4/4
Keith Lough	4/4	–
Peter Rose	–	4/4

The other Directors, internal and external auditors are normally invited to attend meetings.

Responsibilities

The principal responsibilities of the Audit Committee are to:

- monitor and review reports from the executive Directors, including the Group's financial statements and Stock Exchange announcements;
- provide the Board with a recommendation regarding the Half-Year and Annual Report and Accounts, including whether they are fair, balanced and understandable;
- review the Company's and Group's Going Concern and Viability Statements;
- monitor, review and assess the Group's systems of risk management and internal control;
- review reports from the Group's external and internal auditors, including details of the audit programmes and scope;
- consider and recommend to the Board the appointment or reappointment of the external auditor as applicable;
- agree the scope and fees of the external audit;
- monitor and approve engagement of the external auditor for the provision of non-audit services to the Group;
- review the external auditor's independence and effectiveness of the audit process;
- monitor corporate governance and accounting developments;
- monitor the Group's Bribery Act compliance procedures;
- review the procedures to comply with the UK Modern Slavery Act; and
- monitor whistleblowing procedures.

Work Undertaken by the Committee During 2019

The Committee discussed, reviewed and made a number of decisions on key areas throughout 2019, which are set out below:

	Feb	Apr	Aug	Dec
Financial reporting				
Annual Report and Full-Year Results announcement	•			
Going Concern Basis	•		•	
Viability Statement	•			
Interim Report and Interim Results announcement				•
Review Accounting Policies				•
Internal control and risk management				
Risk management and internal control report	•		•	•
Key risks and mitigating controls	•			
Effectiveness of internal controls and internal audit function	•			
Internal Audit Report	•		•	•
Procedures for preventing bribery and corruption		•		•
Procedures for complying with the Modern Slavery Act		•		•
Sanctions compliance		•		•
Whistleblowing summary reports		•		•
Internal audit programme and resourcing				•
External auditor				
Auditor's objectivity, independence and appointment	•			
Full-Year and Half-Year report to the Audit Committee	•		•	
Final Management Letter on internal controls		•		
Auditor's performance and effectiveness		•		
Proposed year-end audit plan including scope, fees and engagement letter		•		
Risk of auditor leaving the market				•
Other business				
Whistleblowing and Bribery policy review		•		
Committee effectiveness and Terms of Reference				•

Appointment of New Auditor

At the Company's Annual General Meeting on 17 April 2019, shareholders approved the appointment of Deloitte LLP ("Deloitte") as external auditor. As part of the agreed auditor transition arrangements with PricewaterhouseCoopers ("PwC"), Deloitte attended meetings in 2018 and up to their appointment in 2019.

At the Committee's meeting in April, Deloitte tabled a draft plan for the year-end audit and also a plan for the interim review process, which forms part of the Company's half-year results procedures. The Committee approved these work streams and, since appointment, Deloitte has undertaken a programme of visits to many of the Group's businesses and operating locations to understand local procedures and the internal control environment. Detailed reports from Deloitte were presented at the April, August and December 2019 meetings of the Audit Committee and a final report was presented at the February 2020 meeting of the Committee, ahead of approval of the 2019 Annual Report and Accounts.

The Committee is satisfied with the performance of Deloitte since appointment and confirm that the transition from PwC has been completed appropriately.

Review of the 2019 Financial Statements

The Committee reviews final drafts of the Group's Report and Accounts for both the half and full year. As part of this process, the performance of the Group's major segments is considered, with key judgements, estimates and accounting policies being approved by the Committee ahead of a recommendation to the Board. In addition to briefings and supporting reports from the central finance team on significant issues, the Committee engages in discussion with Deloitte, the Group's external auditor.

Significant matters reviewed by the Committee in connection with the 2019 Annual Report and Accounts were as follows:

Adoption of New Accounting Standard

During the year, the Company adopted IFRS 16 Leases effective from 1 January 2019. The new standard replaces IAS 17 Leases. The Company has adopted the standard on a modified retrospective basis, whereby the opening retained earnings have been amended, with no prior period adjustments being made to the financial statements. The Group has purchased specialist software to track all leases held.

Following adoption of the new standard, \$39.7m of right-of-use assets and \$49.0m of lease liabilities were recognised on the Group's consolidated balance sheet at 1 January 2019. In line with the new standard, operating lease charges were de-recognised, which positively impacted the Group's EBITDA and profit from operations, while reducing the Group's profit before tax, due to the changes to the charges for depreciation and interest, in line with the new standard. At 31 December 2019, right-of-use assets totalled \$36.7m and lease liabilities totalled \$45.2m. The Group's reported net cash position now includes these lease liabilities. The Committee reviewed the implementation work as part of the deliberations for the half-year and full-year results, with Deloitte confirming the new items recorded.

Following discussion, the Committee was satisfied with the work completed and the financial statements as presented.

New Statutory and Governance Reporting

The Audit Committee has monitored the Group's procedures to comply with new UK regulation and governance reporting. Following a review of draft disclosures throughout the year, the Committee was satisfied that the Group had adopted the new requirements in an appropriate manner.

Impairment Reviews

In the year, the Group reported a broadly similar result compared to 2018. The Committee noted the decline in performance within the Group's onshore focused businesses, including the Hunting Titan and Canada operating segments and the US Drilling Tools and Specialty businesses. Given this trading environment, management conducted a review for indicators of impairment of the carrying values of the assets held on the Group's balance sheet for the half-year and year-end, which has led to an impairment charge to PPE totalling \$19.0m being recorded against the US Drilling Tools business.

Property, Plant and Equipment ("PPE")

The year-end balance sheet includes PPE of \$354.7m (2018 – \$360.2m). This represents approximately 29% of the Group's net assets (2018 – 30%). As noted above, an impairment charge against the Group's US Drilling Tools business has been recorded as part of the year-end audit procedures. The Committee reviewed the PPE impairment tests and subsequent charge and, following discussion, was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate.

Audit Committee Report continued

Goodwill

The year-end balance sheet includes goodwill of \$230.2m (2018 – \$229.9m). This represents approximately 19% of the Group's net assets (2018 – 19%). Reviews for indicators of impairment of the carrying values of goodwill held by Hunting's relevant businesses were undertaken at the half and full year, which confirmed that Hunting's projections supported no need for impairment. The Committee considered the appropriateness of the assumptions and challenged the discount rates and the factors used in the review process. After discussion, it was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate.

Other Intangible Assets

The carrying value of the Group's other intangible assets was also reviewed resulting in no impairments (2018 – \$nil) being recorded in the year. The amortisation charge recorded in the income statement was \$32.3m (2018 – \$31.9m). As with the goodwill impairment review, the Committee considered and confirmed the appropriateness of the assumptions, discount rates and factors used in the review process.

Inventory

At the year-end, the Group held \$350.8m of inventory (2018 – \$348.2m). The year-on-year increase is attributable to the general improvement in trading within Hunting's US, EMEA and Asia Pacific segments. Due to the general medium-term outlook for the industry, the carrying values have been assessed to be adequate. Further, the Committee reviewed year-end inventory carrying values and the work undertaken by management in assessing and supporting the carrying values. Given this, and together with the improved offshore market conditions, the Committee concluded that inventory carrying values were fairly stated.

Taxation

In view of the international spread of operations, the Committee monitors tax risk, tax audits and provisions held for taxation. The Finance Director briefed the Committee on developments throughout the year.

Exceptional Items Charged to the Consolidated Income Statement

The Committee considered the accounting policy definition of exceptional items and the items included within the financial statements to ensure consistency of treatment and adherence to policy.

Exceptional items recorded in respect of the Group's operations for the full year totalled \$19.0m (2018 – \$nil), wholly related to the impairment to PPE within the Group's US Drilling Tools business.

Going Concern Basis and Viability Statement

The Committee monitored assumptions around Going Concern at the half and full year, as well as those around the Group's Viability Statement for the full year. Driven by the outturn of the Group in the year, the Committee concluded that good support for Hunting's longer-term viability exists. Further, the assessment is supported by the year-end net cash position of \$77.9m (2018 – \$61.3m), which includes lease liabilities following the adoption of IFRS 16.

These factors supported the Committee's assessment of the Going Concern Statement and the Viability Statement, as detailed on pages 68 and 69. The statements considered by the Committee were supported by reviews of the regular forecast updates provided by management and the bank covenant compliance reports.

In the year, Hunting remained fully compliant with its bank covenants. The Group's \$160m revolving credit facility expires in 2022, and the Company retains the option to increase the facility by a further \$75m to \$235m and extend the facility's maturity date to 2023, subject to approval of the lending group.

On 24 February 2020, the Audit Committee approved the Viability Statement, detailed on page 68 of the Strategic Report, noting that it presented a reasonable outlook for the Group for the next three years.

Fair, Balanced and Understandable Assessment

The Committee has reviewed the financial statements, together with the narrative contained within the Strategic Report set out on pages 51 to 60, and believes that the 2019 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

In arriving at this conclusion the Committee undertook the following:

- review and dialogue in respect of the monthly management accounts and supporting narrative circulated to the Board;
- review of early drafts of the Annual Report and Accounts, providing relevant feedback to the executive Directors;
- regular review and discussion of the financial results during the year, including briefings by Group finance and operational management; and
- receipt and review of reports from the external and internal auditors.

The Committee advised the Board of its conclusion that the 2019 Annual Report and Accounts, taken as a whole, was fair, balanced and understandable at a Meeting of the Directors on 25 February 2020.

Internal Audit

The Committee receives reports from the Internal Audit function, which now comprises two full-time staff. The Chair of the Committee also has regular dialogue with the function throughout the year. The Committee reviews the internal audit process and effectiveness as part of the Group's internal control and risk assessment programme. An annual programme of internal audit assignments is reviewed and approved by the Committee. The Committee met with the Head of Internal Audit, without the presence of the executive Directors, on three occasions during the year. The effectiveness of the Internal Audit function was also considered by the Committee at its February meeting, which concluded that the function remained effective.

External Audit

The external auditor presents reports at the February, April, August and December meetings of the Audit Committee. Further, the Chair of the Committee also has regular dialogue with the audit partner throughout the year.

In February 2020, a full-year report by Deloitte was considered ahead of publication of the Group's 2019 Annual Report and Accounts.

In April 2019, PwC presented its final internal control report prior to their retirement, which was reviewed by Deloitte as part of the agreed transition arrangements. As part of the procedures to appoint Deloitte, a draft full-year audit plan and engagement letter was reviewed by the Committee at its April 2019 meeting, which was approved and recommended to the Board. At the August 2019 meeting, an interim report was presented, which included the proposed full-year audit scope and fees. An update to the full-year plan was presented at the December 2019 meeting.

The Committee meets with the external auditor, without executive Directors present, at the end of each formal meeting.

During the year, the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014.

Audit Scope

The Audit Committee considered the audit scope and materiality threshold. The audit scope addressed Group-wide risks and local statutory reporting, enhanced by desk-top reviews for smaller, low risk entities. Approximately 91% of the Group's reported revenue and over 93% of net assets have been audited, covering 22 reporting units across five countries.

Materiality

The Committee discussed materiality with the auditor regarding both accounting errors that will be brought to the Audit Committee's attention and amounts that would need to be adjusted so that the financial statements give a true and fair view. Overall, audit materiality was set at \$3.8m (2018 – \$4.4m). This equates to approximately 4% of the Group's projected underlying profit before tax result for 2019. Furthermore, the auditor agreed to draw to the Audit Committee's attention all identified, uncorrected misstatements greater than \$0.2m.

Audit Effectiveness and Independence

The external auditor's full-year report includes a statement on their independence, their ability to remain objective and their ability to undertake an effective audit. The Committee considers and assesses this independence statement on behalf of the Board, taking into account the level of fees paid, particularly for non-audit services.

The effectiveness of the audit process is considered throughout the year, with a formal review undertaken at the April meeting of the Committee. The assessment considers the various matters including:

- the auditor's understanding of the Group's business and industry sector;
- the planning and execution of the audit plan approved by the Committee;
- the communication between the Group and audit engagement team;
- the auditor's response to questions from the Committee, including during private meetings without management present;
- the independence, objectivity and scepticism of the auditors;
- a report from the Finance Director and the Group Financial Controller; and
- finalisation of the audit work ahead of completion of the Annual Report and Accounts.

In addition, the Committee reviewed and took account of the reports from the Financial Reporting Council on Deloitte LLP. After considering these matters, the Committee was satisfied with the effectiveness of the year-end audit process.

Non-Audit Services

The Committee closely monitors fees paid to the auditor in respect of non-audit services. With the exception of audit-related assurance services, which totalled \$0.1m (2018 – \$0.1m), there were no non-audit services fees paid during the year (2018 – \$nil). The scope and extent of non-audit work undertaken by the external auditor is monitored by, and requires prior approval from, the Committee to ensure that the provision of such services does not impair their independence or objectivity.

Internal Controls

The Group has an established risk management framework and internal control environment, which was in operation throughout the year. The Committee monitors these arrangements on behalf of the Board and these are detailed in the Risk Management section of the Strategic Report on pages 39 to 42.

Bribery Act

In compliance with the UK Bribery Act, Hunting has procedures in place, including the publication of Anti-Bribery and Corruption policies and detailed guidelines on interacting with customers, suppliers and agents, including specific policies for gifts, entertainment and hospitality. Senior managers across the Group are required to report their compliance activities, including an evaluation of risk areas. The Group has completed a screening exercise to identify relevant employees who face a heightened risk of bribery, with all relevant personnel completing a formal training and compliance course, in line with the Group's procedures. The Committee reviews the compliance procedures relating to the Bribery Act at its April and December meetings, which incorporates risk assessments completed by each business unit and gifts and entertainment disclosures made during the reporting period. The Group's internal audit function reviews local compliance with the Bribery Act and reports control improvements and recommendations to the Committee, where appropriate.

Modern Slavery Act

The Modern Slavery Act 2015 was enacted in 2016 and requires companies to evaluate internal and external risks related to human trafficking and modern slavery. Procedures were introduced during 2016 and continued in 2019, whereby each business unit across the Group completed due diligence on its workforce to highlight employment risks in relation to trafficking and slavery. All businesses within the Group also completed a risk-mapping exercise of their known supply chain to evaluate those customers and suppliers to the Group who operate in those jurisdictions where trafficking and slavery is more prevalent. Hunting published its third Modern Slavery Act report in March 2019, located at www.huntingplc.com. Since 2018 the Group's "Code of Conduct" training course has been rolled out to all employees of the Group, which incorporates information on modern slavery and trafficking.

Code of Conduct

The Group's Code of Conduct contains policies and procedures covering how the Group conducts business and maintains its relationships with business partners. The Code of Conduct is available on the Group's website and is sent to most customers and suppliers.

Whistleblowing

The Company's Senior Independent Director, Keith Lough, is the primary point of contact for staff or other key partners of the Group to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. In addition, the Group engages the services of Safecall Limited to provide an independent and anonymous whistleblowing service available to staff across all of Hunting's operations. All employees have been notified of these arrangements through the corporate magazine, Group notice boards and the Group's website.

Review of Committee Effectiveness

During the year, the Committee reviewed its effectiveness and the Committee Chairman reported these findings to the Board. No issues were identified in this review process.



Carol Chesney
Chair of the Audit Committee

27 February 2020